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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
LITCHFIELD PARK SERVICE COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS WASTEWATER
RATES AND CHARGES BASED THEREON
FOR UTILITY SERVICE.

Docket No. SW-01428A-13-0042

IN THE MATTER OF THE APPLICATION OF
LITCHFIELD PARK SERVICE COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANTS AND PROPERTY AND
FOR INCREASES IN ITS WATER RATES
AND CHARGES BASED THEREON FOR
UTILITY SERVICE.

Docket No. W-01427A-13-0043

Arizona Corporation Commission

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NOTICE OF FILING.

The RESIDENTIAL UTILITY CONSUMER OFFICE ("RUCO") hereby provides notice of
filing the Direct Testimony of Robert B. Mease in the above-referenced matter.

RESPECTFULLY SUBMITTED this 27th day of September, 2013.

Michelle Wood
Counsel

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2 of the foregoing filed this 27th day
3 of September, 2013 with:

4 Docket Control
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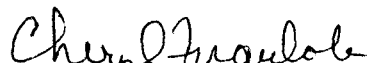
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DOCKET NO. SW-01428A-13-0042

DOCKET NO. W-01427A-13-0043

DIRECT TESTIMONY

OF

ROBERT B. MEASE

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

SEPTEMBER 25, 2013

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EXECUTIVE SUMMARY

Litchfield Park Service Company ("LPSCO" or "Company") is an Arizona public service corporation authorized to provide water and wastewater services in portions of Maricopa County, Arizona. The Company's service area is located in the southwestern portion of the Phoenix metropolitan area, and includes the Town of Litchfield Park, a portion of the City of Goodyear north of Interstate 10, two commercial sites in Avondale (including Estrella Mountain Community College), and an unincorporated area of Maricopa County. LPSCO serves approximately 16,802 water and 16,161 wastewater service connections in a portion of Maricopa County, but the Water and wastewater Certificates of Convenience and Necessity ("CC&N") are not identical per the Company's rate Application.

On February 28, 2013, LPSCO filed applications with the Arizona Corporation Commission ("ACC" or "Commission") seeking permanent rate increases for the Company's water and wastewater utility operations.

On March 4, 2013, LPSCO file a Motion to Consolidate Docket Numbers SW-01428A-13-0042 and W-0427A-13-0043. The Procedural Order dated April 12, 2013, stated that the issues presented by the two applications are similar, the rights of the parties will not be prejudiced by their consolidation, and they should therefore be consolidated as SW-01428A-13-0042 ET AL.

On March 28, 2013, the Commission's Utilities Division filed Letters of Sufficiency indicating that LPSCO's applications met the sufficiency requirements and classified LPSCO as a Class A Utility.

Company's proposed and RUCO recommendations for revenue increase, Fair Value Rate Base ("FVRB"), Rate of Return and Operating Income are as follows:

	<u>Water Division</u>		<u>Wastewater Division</u>	
	<u>Company Proposed</u>	<u>RUCO Recommends</u>	<u>Company Proposed</u>	<u>RUCO Recommends</u>
Revenue Increase	\$ 2,257,160	\$ 1,111,850	\$ 659,088	\$ 36,254
Percent Increase	20.15 %	9.87 %	6.36 %	0.35 %
FVRB	\$35,647,602	\$33,245,457	\$ 23,877,697	\$ 23,988,000
Rate of Return	9.50 %	8.83 %	9.50 %	8.83 %
Operating Income	\$ 3,387,127	\$ 2,935,126	\$ 2,268,786	\$ 2,117,817

In addition to the Company's request seeking permanent rate increases, the Company is requesting a Distribution System Improvement Charge ("DSIC") a Collection System Improvement Charge ("CSIC"), a Property Tax Accounting Deferral, a Purchase Power Adjustor Mechanism ("PPAM") and a Balanced Rate Design.

INTRODUCTION

Q. Please state your name, position, employer and address.

A. My Name is Robert B. Mease. I am the Chief of Accounting and Rates employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state your educational background and qualifications in the utility regulation field.

A. Attachment A, which is attached to this testimony, describes my educational background, work experience and regulatory matters in which I have participated. In summary, I joined RUCO in October of 2011. I graduated from Morris Harvey College in Charleston, WV and attended Kanawha Valley School of Graduate Studies. I am a Certified Public Accountant and currently licensed in the state of West Virginia. My years of work experience include serving as Vice President and Controller of Energy West, Inc. a public utility and energy company located in Great Falls, Montana. While with Energy West I had responsibility for all utility filings and participated in several rate case filings on behalf of the utility. As Energy West was a publicly traded company listed on the NASDAQ Exchange I also had responsibility for all filings with the Securities and Exchange Commission.

1 **Q. Please state the purpose of your testimony.**

2 A. The purpose of my testimony is to present RUCO's recommendations
3 regarding Litchfield Park Service Company's ("LPSCO" or "Company")
4 Water and Wastewater Divisions' rate Application for a determination of
5 the current fair value of its utility plant and property and for a permanent
6 increase in its rates and charges. The Test Year ("TY") utilized by LPSCO
7 in connection with the preparation of this Application is the 12-month
8 period ending December 31, 2012.

9
10 **BACKGROUND**

11 **Q. Please describe your work effort on this project.**

12 A. I reviewed financial data provided by the Company and performed
13 analytical procedures necessary to understand the Company's filings as it
14 related to operating income, rate base, and the overall revenue
15 requirement for both of the water and wastewater divisions. My
16 recommendations are based on these analyses. Procedures performed
17 include in-house formulation and analysis of this data, the review and
18 analysis of the Company's responses to Commission Staff data requests,
19 and review of prior dockets related to LPSCO's prior filings.

20
21 **Q. How is RUCO's testimony organized?**

22 A. RUCO's testimony is organized into six sections for the Water and
23 Wastewater Divisions as follows:

Section I SUMMARY SCHEDULE - REVENUE REQUIREMENTS

Section II SUMMARY SCHEDULE - RATE BASE ADJUSTMENTS

Section III DETAILED RATE BASE ADJUSTMENTS

Section IV SUMMARY SCHEDULE – OPERATING INCOME AND
EXPENSE ADJUSTMENTS

Section V DETAILED OPERATING INCOME / EXPENSE
ADJUSTMENTS

Section VI OTHER ISSUES

Q. Does RUCO have a general concern about the Company's Internal Controls over the recording of transactions?

A. Yes. Many errors were identified in the Company's reporting and numerous adjustments had to be made. At an organizational level the basic internal control objective is defined as follows: "Internal control objectives relate to the reliability of financial reporting." Following is a summary of the inaccuracies identified in the reporting of the test year results which lead RUCO to question the Company's Internal Control process and procedures:

- 1) Prior to beginning work on the review of Company's test year, the Company's Utility Rates and Regulatory Manager called and informed RUCO that an error had been made in the reporting of the Accumulated Depreciation balance. The Company's Water Division's Accumulated Depreciation balance was understated by

1 \$2,411,551. (The Company did inform all parties that this error was
2 made)

3 2) During the course of RUCO's review it was determined that
4 approximately \$2,819,595 in plant additions for the Water Division
5 and \$563,717 in plant additions for the Wastewater Division had
6 been recorded to the incorrect NARUC accounts.

7 3) Plant additions of \$724,962 and \$90,223 were made to the Water
8 and Wastewater Divisions respectively, during year 2011, and
9 many of the plant invoices supporting these additions were dated in
10 year 2006. RUCO was concerned that these plant additions were
11 duplicated. When discussing our concerns with the Company it
12 was determined that these invoices were correctly accrued during
13 the last rate case but were not transferred from the CWIP account,
14 to plant accounts, until year 2011 even though the projects had
15 been placed in service during prior years.

16 4) Several invoices related to plant additions had been recorded to the
17 incorrect division and had to be reclassified.

18 5) Several duplicate invoices were identified.

19 6) A data request was sent asking the Company why there was no
20 Construction Work In Progress identified with either division. The
21 Company response, CWIP was incorrectly identified to the Inter-
22 Company Receivables Account.

1 7) Incorrect assessment ratios were used to calculate property taxes
2 and the incorrect Arizona Income Tax rate was used to calculate
3 Arizona Income Taxes.

4
5 **Q. Has RUCO, in preparing its testimony, segregated between the Water**
6 **and Wastewater Divisions?**

7 A. Yes. When RUCO proposes an adjustment that is synonymous to both
8 divisions, the adjustment will be identified to both Water and Wastewater
9 Divisions. If an adjustment relates to only one division it will be identified
10 to that division.

11
12 **Q. Has the Company adopted or reached agreement with any of RUCO's**
13 **recommended adjustments??**

14 A. Yes. Many of the items that will be discussed throughout my testimony
15 have been discussed with the Company.

16
17 **Q. Please identify the schedules and exhibits that you are sponsoring.**

18 A. I'm sponsoring the revenue requirement schedules for LPSCO's Water
19 and Wastewater Divisions numbered RBM-1 through RBM-12, RUCO's
20 recommended rate base schedule adjustments. RUCO Schedules RBM-
21 13 through RBM-32 consists of RUCO's recommended operating income
22 adjustments and cost of capital recommendation.

I. SUMMARY SCHEDULE - REVENUE REQUIREMENTS

Q. Can you please provide a summary schedule identifying the Company's proposed and RUCO's recommended revenue requirements for both the water and wastewater divisions?

A. Yes, please see following summaries:

Summary - Water Division

	<u>Company</u>	<u>RUCO</u>	<u>Adjustment</u>
OCRB/FVRB	\$ 35,647,602	\$ 33,245,457	(\$ 2,402,145)
Adjusted TY Operating Income	2,024,376	2,259,901	235,525
Required Operating Income	3,387,127	2,935,126	(452,001)
Required ROR on Rate Base	9.50%	8.83%	(0.67%)
Increase in Gross Revenue	\$ 2,257,160	\$ 1,111,850	(\$ 1,145,310)
Adjusted TY Revenues	11,201,390	11,260,093	58,703
Proposed Annual Revenues	13,458,550	12,371,943	(1,086,607)
Required % Increase in Revenue	20.15%	9.87%	(10.28%)
Rate of Return on Equity	10.00%	9.20% ¹	(0.80%)

Summary - Wastewater Division

	<u>Company</u>	<u>RUCO</u>	<u>Difference</u>
OCRB/FVRB	\$ 23,877,697	\$ 23,988,000	\$ 110,303
Adjusted TY Operating Income	1,871,616	2,095,839	224,223
Required Operating Income	2,268,786	2,117,817	(150,969)
Required ROR on Rate Base	9.50%	8.83%	(0.67%)
Increase in Gross Revenue	\$ 659,088	\$ 36,254	(\$ 622,834)
Adjusted TY Revenues	10,361,603	10,362,796	1,193
Proposed Annual Revenues	11,020,691	10,399,050	(621,641)
Required % Increase in Revenue	6.36%	0.35%	(6.01%)
Rate of Return on Equity	10.00%	9.20% ²	(0.80%)

¹ The Return on Equity Recommended by RUCO was the amount authorized in Rio Rico Utilities, which is a sister company to LPSCO, in ACC Decision No. 73996 dated July 30, 2013.

² Ibid.

II. SUMMARY SCHEDULE – RATE BASE ADJUSTMENTS

Q. Can you please provide a summary schedule identifying RUCO's proposed rate base adjustments for both the Water and Wastewater Divisions?

A. Yes, please see the schedules as follows for a summary of RUCO's adjustments. Please see detailed discussion in Section II.

Rate Base Adjustments

<u>Adjustment No / Description</u>	<u>Water Div.</u>	<u>Wastewater Div.</u>
1 – Utility Plant In Service	(\$ 32,483)	(\$ 8,315)
2 – Accumulated Depreciation	(2,502,368)	(53,883)
3 – Intentionally Left Blank	-- 0 --	-- 0 --
4 – CIAC and CIAC Amortization	(305,152)	(199,905)
5 – Customer Meter Deposits	(160,986)	14,231
6 – Customer Security Deposits	(7,785)	(8,553)
7 – Intentionally Left Blank	-- 0 --	-- 0 --
8 – Intentionally Left Blank	-- 0 --	-- 0 --
9 – Accumulated Deferred Income Taxes	605,941	366,728
10 – Regulatory Asset (TCE Plume)	<u>688</u>	<u>-- 0 --</u>
Total RUCO recommended Water and Wastewater Rate Base Adjustments	<u>(\$2,402,144)</u>	<u>\$110,304</u>

See Schedules RBM-3 both the Water and Wastewater Divisions

III. DETAILED RATE BASE ADJUSTMENTS

Q. Did RUCO reconstruct the Company's plant in service beginning with the balance as approved in the last rate case?

A. Yes. RUCO began with the balance as approved in the last rate case filing and performed a reconstruction year by year through the end of the test year ending December 31, 2013.

1 **Q. Does RUCO agree with the Company's utility plant in service**
2 **beginning balance reflected in its reconstruction schedules in this**
3 **rate proceeding for both the Water and Wastewater Divisions as filed**
4 **in the LPSCO's Application?**

5 A. While RUCO had some difficulty in accepting the Company's beginning
6 balance we did not recommend a UPIS adjustment to either the Water or
7 Wastewater Divisions' UPIS reconstruction schedules.

8
9 **Q. What was the difficulty that RUCO encountered with the beginning**
10 **balance from the last rate case?**

11 A. RUCO and Staff both identified several plant invoices dating back to year
12 2006 that were identified as plant additions during year 2011. The
13 Company's prior rate case TY ended September 30, 2008 and there were
14 concerns that these additions were duplicated during subsequent years.

15
16 **Q. How did the Company respond to the concerns raised by RUCO and**
17 **Staff through data requests?**

18 A. The Company requested a meeting with Staff at the Commission's office
19 and both RUCO and Staff attended this meeting. The Company indicated
20 that the invoices for these plant additions were recorded in the
21 Construction Work In Process ("CWIP") account in the last case and were
22 not transferred from CWIP to UPIS when placed in service. The Company
23 assured both RUCO and Staff at the meeting that the plant invoices

1 identified were UPIS and serving customers before the end of the previous
2 rate case TY.

3
4 **Q Did RUCO accept the Company's explanation as provided at the**
5 **meeting you mentioned above?**

6 A. Yes. RUCO was able to determine that the invoices were in CWIP during
7 the last rate case and there were no duplicate amounts included in utility
8 plant in service.

9
10 **WATER / WASTEWATER DIVISION'S RATE BASE ADJUSTMENTS**

11 **Rate Base Adjustment No. 1 – Utility Plant in Service – Water Division**

12 **Q. Can you please identify the \$32,483 decrease RUCO is**
13 **recommending to the Water Division's UPIS accounts?**

14 A. Yes. RUCO identified several adjustments necessary to correct the UPIS
15 accounts.

16 (1) During RUCO's review, many errors were noted in the Company's
17 plant accounts and recording of invoices to the correct NARUC
18 accounts. RUCO reclassified \$2,819,595 between accounts as
19 shown on Schedule RBM-4(a). While the net effect of these
20 reclassifications was a reduction of \$164 in the plants overall
21 balance in UPIS, the errors did create an adjustment to the
22 Company's A/D balance as well.

1 (2) This adjustment reclassifies two invoices that were originally
2 recorded to the Water Division's account 304 – Structures &
3 Improvements and reclassifies the costs to the Wastewater
4 Division's Account 354 – Structures & Improvements. The
5 adjustment removes \$12,156 from the Water Division and
6 reclassifies the same costs to the Wastewater Division. See
7 RBM-4(a).

8 (3) In the Company's response to Staff Data Request 2-65 the
9 Company identified two invoices that had been duplicated. RUCO's
10 recommended adjustment of \$2,608 removes the duplicate invoices
11 from the Company's utility plant is service balance.

12 (4) Pursuant to the Company's response to RUCO DR 3.02, the
13 Company indicated that they failed to retire a truck that had been
14 replaced by another vehicle. "The Company agrees a retirement
15 should be recorded." The replacement cost for the vehicle was
16 \$17,555 as reflected on the invoice included with the plant detail.

17
18 Rate Base Adjustment No. 1 – Utility Plant in Service – Wastewater
19 Division

20 **Q. Can you explain the adjustment of \$8,315 to the Wastewater**
21 **Division's UPIS balance?**

22 **A.** Yes. RUCO identified several adjustments necessary to correct the UPIS
23 accounts. The adjustments are very similar to those for the Water Division.

1 (1) During RUCO's review, many errors were noted in the Company's
2 plant accounts and recording of invoices to the correct NARUC
3 accounts. RUCO reclassified \$564,077 between accounts as
4 shown on Schedule RBM-4(a). As were identified in the Water
5 Division the net effect of these reclassifications was zero on the
6 plants overall balance in UPIS, however, the errors did create an
7 adjustment to the Company's A/D balance.

8 (2) This adjustment reclassifies two invoices totaling \$12,156 from the
9 Water Division and reclassifies the same costs to the Wastewater
10 Division. These adjustments are shown on the respective RUCO
11 Water and Wastewater Schedules RBM-4(a) page 1 of 1.

12 (3) During RUCO's review it was noted that the Company again
13 duplicated the recording of invoices totaling \$9,254. The Company
14 is aware of the duplication and has agreed to adjust their records
15 accordingly.

16 (4) RUCO recommends the removal on plant valued at \$11,217 that
17 has been determined as non-used and useful. Per Staff DR DH
18 11-5.

Rate Base Adjustment No. 2 – Accumulated Depreciation

Q. Can you please summarize the A/D Depreciation Adjustments for both the Water and Wastewater Divisions?

A. Yes, please see below.

Accumulated Depreciation Adjustments

<u>Adjustment No. / Description</u>	<u>Water Div.</u>	<u>Wastewater Div.</u>
1 – UPIS A/D Reconstruction Schedule increases	(\$ 2,475,900)	(\$ 13,854)
2 – UPIS Reclassifications decrease A/D	25,981	(32,534)
3 – Reclassify Invoices from Water to Wastewater	607	(607)
4 – Remove Duplicate Invoices	130	823
5 – Truck Retirement	17,555	-- 0 --
6 – Used Only for Wastewater Division	-- 0 --	-- 0 --
7 – Additional A/D on Late Recorded Invoices	(91,841)	(7,711)
8 – Correct Company's A/D for a Non-Depreciable Plant account	<u>21,100</u>	<u>-- 0 --</u>
Total RUCO recommended Water and Wastewater A/D Adjustments	<u>(\$ 2,502,368)</u>	<u>(\$ 53,883)</u>

Water Division Adjustments

Q. Can you please explain Adjustment No. 1 for the A/D Account for the Water Division?

A. Yes. The Company admitted early in this rate proceeding that an error had been made in the Water Division's A/D reconstruction schedule as filed in its application.

1 **Q. What adjustment was necessary to correct the Company's A/D error**
2 **for the Water Division?**

3 A. It was necessary to increase the Water Division's A/D by \$2,411,551 to
4 correct the error. The Company and RUCO should be in agreement with
5 this adjustment. See RBM-4(a) page 2 of 2.
6

7 **Q. Please explain the A/D error that existed in the Company's Water**
8 **Division reconstruction schedule.**

9 A. The Company "hard numbered" the A/D balance for the year ended 2009,
10 which was the same balance as the starting-point on September 30, 2008,
11 that was authorized by the Commission in the previous rate case. In other
12 words, the A/D balance going forward from the end of the prior test year
13 was not adjusted for the depreciation expense recognized during the
14 following fifteen months.
15

16 **Q. Were there other adjustments to A/D that RUCO identified while**
17 **reconstructing the UPIS accounts?**

18 A. Yes. One additional adjustment was made to the A/D account in year
19 2010. The Company failed to include the AD balance of \$64,349 for
20 Account 349, Pumping Equipment.
21
22

1 **Q. Are there additional A/D adjustments related to the Company's Water**
2 **Division?**

3 A. Yes. There are additional adjustments being proposed by RUCO to the
4 A/D balance for the Water Division.

5 (1) There several plant reclassifications between NARUC accounts
6 that decreased A/D by \$25,981.

7 (2) The reclassification of plant costs between the water and
8 wastewater divisions decreased A/D by \$607.

9 (3) The adjustment for duplicate invoices decreased A/D by \$130.

10 (4) The Company failed to retire a truck with a cost of \$17,555 when a
11 replacement vehicle was purchased. RUCO identified this error
12 and once the retirement was recorded it created an adjustment by
13 decreasing the A/D account by the same amount.

14 (5) The Company failed to timely record asset purchases. A/D was
15 calculated retroactive to the purchase date creating an adjustment
16 increasing A/D by \$91,841.

17 (6) LPSCO inappropriately calculated amortization expense on non-
18 depreciable Organization Cost of \$21,100. RUCO recommends
19 that the amortization of this account be reversed.

Wastewater Division A/D Adjustments

Q. Can you please explain the adjustments that RUCO is proposing for the Wastewater Division?

A. Yes. The total adjustment to this account as proposed by RUCO is \$53,883 and consists of the following individual adjustments:

(1) RUCO performed a plant reconstruction beginning with the last test year approved plant in service accounts. When making the adjustments for additions, deletions, adjustments and retirements RUCO's calculated A/D balance required an increase in the A/D balance by \$13,854. See Schedule RBM-4(a) page 2 of 2.

(2) As a result of reclassifications of plant additions between accounts, an adjustment to A/D was made increasing the A/D balance by \$32,534.

(2) The reclassification of invoices between the water and wastewater divisions increased A/D by \$607.

(3) The adjustment for duplicate invoices decreased A/D by \$823.

(4) The Company failed to timely record asset purchases. A/D was calculated retroactive to the purchase date creating an adjustment increasing A/D by \$7,711.

Rate Base Adjustment No. 3 – Intentionally Left Blank

Rate Base Adjustment No. 4 – Contributions in Aid of Construction
("CIAC") and CIAC Accumulated Amortizations

Water Division Adjustments

Q. Can you please explain the adjustment that RUCO is proposing for the Water Division's CIAC balance?

A. RUCO's rate base adjustment No. 4 corrects the Company's inclusion of "rate case true-up" additions and the Accumulated amortization ("A/A") of CIAC as proposed in the Company's filing.

Q. Please explain what you mean by correcting the Company's "rate case true-ups" as filed by the Company.

A. True up adjustments are generally made to correct a misstated beginning of period account balance. There are no true-ups necessary in this case. RUCO and the Company begin with the same balances of gross CIAC as approved in Decision No. 72026 for the Water and Wastewater Divisions.

Q. What adjustments are necessary to correct what the Company referred to as "rate case true-ups"?

A. For the Water Division, it is necessary to increase the gross CIAC balance by \$101,234. See Schedule RBM-3 page 1 of 1.

1 **Q. You indicated that an adjustment was necessary to reflect the**
2 **correct balance in the Accumulated Amortization account as well?**

3 A. Yes. The Company amortized a full-year of the gross CIAC balance in
4 both divisions for year 2008. The first nine-months of 2008 was amortized
5 and included in the Company's last rate case TY that ended on
6 September 30, 2008. The total adjustment necessary to reflect the correct
7 balance is \$203,918.

8
9 **Wastewater Division**

10 **Q. Can you please explain the adjustments that RUCO is proposing for**
11 **the Wastewater Divisions CIAC and related A/A account balances?**

12 A. Yes. RUCO is proposing adjustments to the CIAC and A/A balances for
13 the Wastewater Division for the same reasons as proposed in the Water
14 Division. RUCO is proposing an decrease in the CIAC balance by
15 \$93,570 related to true-up adjustments made by LPSCO. RUCO also
16 proposes an adjustment to decrease the A/A account by \$293,475 for
17 excessive amortization recorded for year 2008.

18
19 **Rate Base Adjustment No. 5 – Customer Meter Deposits**

20 **Water and Wastewater Divisions**

21 **Q. What did LPSCO include in its filing for Customer Meter Deposits?**

22 A. In its application LPSCO included the balance as of December 31, 2012.
23

1 Q. **Is RUCO proposing an adjustment to the Company's Customer Meter**
2 **Deposits for both the Water and Wastewater Divisions?**

3 A. Yes. RUCO recommends a thirteen-month average, using the months
4 December 2011 through TY end December 2012, for the Customer Meter
5 Deposit asset balance. A thirteen-month average smooth's out fluctuations
6 over a period whenever the month end balances tend to change
7 significantly. See Schedule RBM-3.

8
9 Q. **What adjustments are necessary to reflect a more reasonable**
10 **customer meter deposit balance for both divisions?**

11 A. RUCO is proposing an increase in the Water Division's Customer Meter
12 Deposit balance of (\$160,986). For the Wastewater Division, RUCO is
13 proposing a decrease in Customer Meter Deposit balance by \$14,231.
14 See Schedule RBM-3.

15
16 Rate Base Adjustment No. 6 – Customer Security Deposits

17 Q. **Is RUCO proposing an adjustment to the Company's Customer**
18 **Security Deposits for both the Water and Wastewater Divisions?**

19 A. Yes. RUCO is also recommending a thirteen-month average of December
20 2011 through TY end December 2012 for the Customer Security Deposits
21 for the same reasons RUCO proposed for Customer Meter Deposits. A
22 thirteen-month average smooth's out fluctuations over a period whenever
23 the month end balances tend to change significantly.

1 **Q. What adjustments are necessary to reflect a more reasonable**
2 **customer security deposit balance for both divisions?**

3 A. It is necessary to increase the Water and Wastewater Divisions Customer
4 Security Deposit balances by \$7,785 and \$8,553 respectively.

5
6 Rate Base Adjustment No.7 and No. 8 – Intentionally Left Blank

7
8 Rate Base Adjustment #9 – Accumulated Deferred Income Tax ("ADIT")

9
10 Water and Wastewater Divisions

11 **Q. Can you please explain the adjustments that RUCO is proposing to**
12 **the Company's Accumulated Deferred Income Tax Accounts?**

13 A. The adjustments that RUCO is proposing relates to the total rate base
14 adjustments that RUCO has recommended. RUCO has also adjusted the
15 statutory State Income Tax rate from 6.9868 percent to the new rate
16 established for years ending December 31, 2013, of 6.50 percent. (See
17 Attachment A. Excerpts from House Bill 2001)

1 **Q. What adjustments are necessary to account for RUCO's total rate**
2 **base adjustments that impact the ADIT balances for the Water and**
3 **Wastewater Divisions?**

4 A. In the Water Division, RUCO recommends reducing the ADIT liability
5 balance by \$605,941. For the Wastewater Division, it is necessary to
6 reduce the ADIT liability balance by \$366,728. These adjustments are
7 shown on the respective Water and Wastewater Schedules RBM-3.

8
9 Rate Base Adjustment #10 – Regulatory Asset – TCE Plume

10 Water Division

11 **Q. Can you please explain RUCO's adjustment to the Water Divisions**
12 **Regulatory Asset Account?**

13 A. This adjustment is the result of RUCO amortizing the Company's
14 regulatory asset for the TCE Plume to the TY month-end rather than the
15 Company amortizing one additional month post-test year. The resulting
16 adjustment increases the Company's regulatory asset by \$688. This
17 adjustment is for the Water Division only and is shown in Column [K] on
18 RUCO Schedule RBM-3.

IV. SUMMARY SCHEDULE – OPERATING INCOME AND EXPENSE

ADJUSTMENTS

Operating Income Adjustments

<u>Adjustment No / Description</u>	<u>Water Div.</u>	<u>Wastewater Div.</u>
1 – Depreciation Expenses	\$ 28,697	\$ 22,150
2 – Property Tax Expense	(24,121)	(27,493)
3 – Reverse Expense Animalization's	-- 0 --	(2,632)
4 – Intentional Left Blank	-- 0 --	-- 0 --
5 – Declining Usage Adjustment	58,744	-- 0 --
6 – Water Testing Expense	(22,062)	-- 0 --
7 – Intentionally Left Blank	-- 0 --	-- 0 --
8 – Employee Pension Benefits	(62,199)	(76,431)
9 – Intentionally Left Blank	-- 0 --	-- 0 --
10- Liberty Utilities Expense Reductions	(1,829)	(2,521)
11- Allocate Bad Debt Expense	21,216	(23,924)
12- Intentionally Left Blank	-- 0 --	-- 0 --
13- APUC Cost Allocations	(115,363)	(115,707)
14- Achievement / Incentive Pay	(138,887)	(128,034)
15- Miscellaneous Expense	(16,108)	(342)
16- Customer Interest Deposit	4,848	5,467
17- Income Tax Expense	<u>149,026</u>	<u>125,244</u>
Total RUCO Recommended Operating Income Adjustments. See Schedules RBM-14	<u>\$235,525</u>	<u>\$224,223</u>

V. DETAILED OPERATING INCOME EXPENSE ADJUSTMENTS

Water and Wastewater Divisions

Operating Income Adjustment No. 1 – Depreciation Expense

Q. Is RUCO proposing adjustments to LPSCO's Depreciation Expense accounts?

A. YES. RUCO's proposed Depreciation Expense adjustments are the result of the reclassifications between NARUC accounts for both divisions, the adjustments related to the plant projects transferred between the divisions and the identification of several duplicate invoices. The adjustments proposed by RUCO resulted in a depreciation expense increase of

1 \$28,697 and \$22,150 to the Water and Wastewater Divisions respectively.

2 See Schedule RBM-14

3
4 Operating Income Adjustment No. 2 – Property Tax Expense

5 **Q. Is RUCO recommending an adjustment in the test-year calculations**
6 **for property tax expense?**

7 A. Yes, RUCO is proposing an adjustment. In calculating property taxes the
8 primary inputs are annual revenues, assessment ratio and effective
9 property tax rate. As a result of the Company's using an incorrect
10 property tax ratio of 20 percent, RUCO is proposing a decrease in TY
11 property tax expense of \$24,121 in the Water Division and a decrease of
12 \$27,493 in the Wastewater Division. See Schedule RBM-14.

13
14 **Q. Can you explain how RUCO became aware of the reduction in the**
15 **ratio used to calculate property taxes to be paid by the Company?**

16 A. RUCO was provided a copy of Arizona "House Bill 2001" by the Arizona
17 Department of Revenue. Per the House Bill the tax assessment ratio
18 beginning from December 31, 2013, through December 31, 2014 is 19
19 percent. After December 31, 2014, the ratio continues to reduce until the
20 ratio reaches 18 percent and will remain there until the assessment ratios
21 are amended. (See Attachment B for Excerpts from House Bill 2001)

1 **Wastewater Only**

2 **Operating Income Adjustment No. 3 – Annualization of Revenues and**
3 **Expenses**

4 **Q. Why is RUCO proposing an adjustment increasing TY operating**
5 **income of \$2,632 to the account described as “Annualization of**
6 **Revenues and Expenses”**

7 **A.** The first adjustment RUCO is proposing increases TY revenues by a net
8 amount of \$1,193. The adjustment relates to the annualization of
9 revenues based on the expected increase in customers to the low income
10 classification. The second adjustment decreases operating expenses by
11 \$1,439 and relates to the Company’s calculating a test year postage
12 adjustment for the distribution of monthly bills. This represents a
13 duplicated TY adjustment as the Water Division also recorded an
14 adjustment. The monthly bills are distributed as a combination of both
15 water and wastewater charges, consequently, there is no need for both
16 divisions to make the same adjustment. See RBM-14 page 1 of 2.

17
18 **Operating Income Adjustment No. 4 – Intentionally Left Blank**

19 **Water Division Only**

20 **Operating Income Adjustment No. 5 – Declining Usage for Water Division**

21 **Q. Can you please explain what is meant by declining use?**

22 **A.** Declining usage as defined by the Company is: “The decline in usage is
23 caused by the inverted tier rate design and resultant conservation.”

1 **Q. Did the Company adjust test year operating income to compensate**
2 **for Declining Usage?**

3 A. Yes. The Company decreased operating revenues by \$58,744. RUCO is
4 proposing that this adjustment be reversed.

5
6 **Q. How did the Company compute the adjustment for the declining**
7 **usage decrease in revenues?**

8 A. The Company took the average of the three years prior to the test year, in
9 gallons sold, and then compared the average to the test year for the two
10 residential blocks of 3/4 inch and one inch. The result was then multiplied
11 by the commodity rate and again multiplied by a factor of 1.5. The 1.5
12 multiplier was described as the midpoint of a three year period, between
13 the expected date of rate increases in this rate filing and the expected
14 date of rate increases in the next rate case filing.

15
16 **Q. Does RUCO agree with the Company's treatment of Declining**
17 **Usage?**

18 A. No. There are several reasons why RUCO does not agree with declining
19 usage adjustments. First, declining usage is not a known and
20 measureable determinant. Second, in this case when looking at the three
21 rate tiers in the residential rate structure, the first tier used in the Company
22 analysis had an average increase for the three years, the second tier had
23 an average that was basically constant during the three years, and the

1 third tier the average gallons did increase during the three years. When
2 analyzing the three year period that the Company used in its analysis the
3 total gallons sold for the TY should increase slightly. RUCO believes that
4 the analysis used by the Company is flawed and should not be relied
5 upon.

6
7 **Q. What about the 1.5 multiplier the Company used?**

8 A. Using a multiplier is not acceptable. This assumes that declining usage
9 will continue each year until the next rate case and further assumes that
10 the next rate case will be in three years. Again, declining usage is not a
11 known and measurable determinant and assuming that a rate case will be
12 filed in three years is a flawed assumption.

13
14 Operating Income Adjustment No. 6 – Water Testing Expense

15 **Q. What adjustment is RUCO recommending to Water Testing Expense?**

16 A. In the Company's response to RUCO DR 3.32, the Company stated,
17 "Generally, every third year is a compliance year." The Water Division's
18 total cost during a compliance year is expected to be \$33,090 which the
19 Company proposed as a TY adjustment. RUCO is proposing an
20 adjustment that decreases this TY expense by \$22,062. RUCO's
21 adjustment will allow the Company to collect in rates \$11,030 in each of
22 the three years between compliance years. See RBM-14

Operating Income Adjustment No. 7 – Intentionally Left Blank

Water and Wastewater Divisions

Operating Income Adjustment No. 8 – Employee Pension Benefits

Q. Did LPSCO have a Pension Benefit program in place during the TY?

A. No.

Q. Has LPSCO made TY adjustments, for the Water and Wastewater Divisions for pension expenses that the Company is expecting to pay for year 2013?

A. Yes. LPSOC recently put into place (May 2013) what is described as cash balance pension plan. It will be submitted to the Internal Revenue Service for approval and is expected to comply with ERISA.

Q. Does RUCO agree with the Company's TY adjustments?

A. No. RUCO is proposing an adjustment reversing the Company's requested expense of \$62,199 for the Water Division and \$76,431 for the Wastewater Division.

1 **Q. Why does RUCO not agree with the Company's TY adjustment for a**
2 **pension expense?**

3 A. The Company has not made pension contributions during previous years
4 or during the test year. In addition, the Company is under no obligation to
5 make contributions to the plan. It is at the discretion of the Company
6 when to make deposits and deposits are not mandatory. See RBM-14

7
8 Operating Income Adjustment No. 9 – Intentionally Left Blank

9
10 Operating Income Adjustment No.10 – Additional Reductions to US
11 Liberty Utilities Expense to the Water and Wastewater Divisions

12 **Q. Did the Company identify an error in the allocation of Utilities**
13 **Expense from US Liberty to LPSCO?**

14 A. Yes. In the Company's response to Staff DR JMM 12-2, LPSCO identified
15 a formula mistake when making adjustments of US Liberty Utilities costs
16 to LPSCO's Water and Wastewater Divisions. The Company identified
17 additional reductions of \$1,829 and \$2,521 respectively for the Water and
18 Wastewater Divisions. See RBM-14.

1 Operating Income Adjustment No. 11 – Allocate Bad Debt Expense

2 **Q. Can you please describe the Company's method for recording Bad**
3 **Debt Expense?**

4 A. Yes. LPSCO has charged the total Company's Bad Debt Expense to the
5 Wastewater Division.

6
7 **Q. What adjustments are necessary to allocate the bad debt expense**
8 **among the two divisions?**

9 A. RUCO is proposing the total Bad Debt Expense of \$45,431 be allocated
10 as follows: Water Division, \$21,140 and Wastewater Division, \$21,291.
11 The allocation percentage agreed on between RUCO and the Company
12 was 47 percent to the Water Division and 53 percent to the Wastewater
13 Division.

14
15 Operating Income Adjustment No. 12 – Intentionally Left Blank

16
17 Operating Income Adjustment No.13 – Algonquin Power Utilities
18 Corporation ("APUC") Cost Allocations;

19 **Q. Is RUCO recommending adjustments to the APUC cost allocations to**
20 **LPSCO?**

21 A. Yes.
22
23

1 **Q. Briefly describe the APUC cost allocation methodology?**

2 **A.** APUC pools costs from twenty distinct expense areas, such as audit, tax
3 services, unit holder communications, trustee fees, and escrow/transfer
4 fees etc. APUC allocates these costs to its regulated and unregulated,
5 Algonquin Power Company ("APCO"), entities. The unregulated entity,
6 Liberty Utilities, further allocates its share of the cost pool to the regulated
7 operating entities, which includes LPSCO. The total amount allocated to
8 its unregulated entities, Liberty Utilities, is approximately \$3,944,525 that
9 is further allocated to Liberty Utilities South. Liberty Utilities South
10 allocates 28.74 percent, or \$262,593, of its share of the costs to LPSCO's
11 Water Division and 26.87 percent, or \$261,973, of the costs to LPSCO's
12 Wastewater Division by customer counts.

13
14 **Q. What rationale did RUCO rely on when making its adjustments to the**
15 **Company's APUC cost allocations?**

16 **A.** First, RUCO reviewed Commission Decision No. 72059 dated January 6,
17 2011. On page 22 at lines 15-16, it stated "we will allow APT's central
18 costs related to audit, tax, legal, and license fees and permits to be
19 allocated to RRUI³..."

20
21
22

³ RRUI is the acronym for Rio Rico Utilities, Inc., which is a sister company to LPSCO.

1 **Q. Did RUCO allow these costs in this case?**

2 A. Yes. Based on the Commission's Decision No. 72059, RUCO believes
3 that these cost allocations are appropriate.

4

5 **Q. What adjustment does RUCO recommend for the APUC cost**
6 **allocations?**

7 A. RUCO recommends reducing the amounts allocated to LPSCO as shown
8 on Schedules RBM-27 by \$115,363 for the Water Division and by
9 \$115,707 for the Wastewater Division. RUCO finds these adjustments to
10 be a fair and reasonable amount for both the ratepayers and Company's
11 Shareholders in this case. These adjustments are shown on Schedules
12 RBM-14 on page two and the details reflected in RUCO Schedules RBM-
13 27.

14

15 **Q. What portion of the allocated APUC expenses does RUCO believe**
16 **could be attributable to LPSCO?**

17 A. RUCO's analysis, review, and review of past Commission decisions
18 determined that the audit, tax services, legal – general, and depreciation
19 expenses would benefit the ratepayers of LPSCO. However, RUCO
20 allowed more of the total costs than those cited above. In some of the line
21 item expenses, RUCO allowed 100 percent. There were some other
22 expensed line item amounts that RUCO allowed less than 100 percent.

1 There are other line item expensed amounts that RUCO did not
2 recommend any recovery in rates.

3

4 **Q Did RUCO agree with the Liberty Utility allocations for its shared**
5 **service model?**

6 A. Other than RUCO's achievement / incentive / bonus pay programs that
7 RUCO recommends be shared equally (i.e., 50/50 ratio) in addition to the
8 sharing of the APUC costs previously mentioned between the
9 shareholders and ratepayers, RUCO did not take issue with the Liberty
10 Utilities shared service model.

11

12 Operating Income Adjustment No. 14 – Achievement/Incentive/Bonus Pay

13 **Q. Is RUCO proposing an allocation of the achievement, incentive and**
14 **bonus pay costs that the Company has included in its application?**

15 A. Yes, RUCO is recommending the allocation of 50 percent of T/Y expense
16 for the achievement/ incentive / bonus payments to shareholders.

17

18 **Q. Please explain why a 50 percent allocation is appropriate in this**
19 **case?**

20 A. Generally, achievement / incentive / bonus pay programs can provide
21 benefits to both shareholders and ratepayers. The shareholders stand to
22 gain from potential cost savings while the ratepayers may benefit through
23 superior customer service. The adjustment essentially provides an equal

1 sharing of such costs and the potential benefits that may be derived from
2 these program(s). In addition, there is no certainty that the same level of
3 costs will reoccur on a going forward basis.
4

5 **Q. Has the Commission in the past ordered an equal sharing between**
6 **the shareholders and ratepayers of such costs?**

7 A. Yes. In numerous Commission decisions,⁴ the Commission has ordered a
8 50/50 sharing of incentive pay programs and provides for a fair and
9 reasonable balancing of the interests between the ratepayers and
10 shareholders.
11

12 **Q. What adjustments is RUCO recommending in order to share these**
13 **costs in a manner that balances the interests between ratepayers**
14 **and shareholders?**

15 A. RUCO recommends allocating 50 percent of the achievement / incentive /
16 bonus pay costs. RUCO recommends 50 percent disallowance on behalf
17 of the ratepayers of \$138,887 and \$128,034 of TY discretionary
18 achievement / incentive / bonus pay expense from the Water and
19 Wastewater Divisions respectively. See RBM-14
20
21

⁴ See Decision No. 70011 at 27, Decision No. 70360 at 21, Decision No. 68487 at 18, Decision No. 70665 at 16, and Decision No. 71623 at 31.

Operating Income Adjustment No. 15 – Miscellaneous Expense

Q. Is RUCO recommending a reduction in LPSCO's T/Y Miscellaneous Expense Account?

A. Yes, RUCO is proposing a reduction of 100 percent of the Company's Public Relations Expense and Charitable Contributions Expense, and 50 percent of Meals and Entertainment Expense. RUCO's proposal reduces the Water Division's Miscellaneous Expense by \$16,108 and reduces the Wastewater Division's Miscellaneous Expense by \$342. See RBM-14.

Operating Income Adjustment No. 16 – Customer Deposit Interest Expense

Q. Is RUCO proposing an adjustment to the Company's Customer Interest Expense?

A. Yes. RUCO's proposal recommends that the Company be allowed recovery of interest expense incurred in the course of business on Customer Security Deposits

Q. Did the Company request customer deposit interest expense in its Application?

A. In response to Staff DR JMM 13-3, the Company stated, "Yes, however the expense was incurred below the line on the Company's C-1 Schedules within all other interest expense."

1 **Q. Did RUCO reclassify the interest expense related to the Customer**
2 **Security Deposits that the Company included below-the-line to an**
3 **adjustment that would be included in rates?**

4 A. Yes. RUCO reclassified the Company's below-the-line interest expense
5 related to Customer Security Deposits to Miscellaneous Expense, which is
6 an expense included in rates. The adjustment increases the Water
7 Divisions Miscellaneous Expense by \$4,848 and increased the
8 Wastewater Divisions Miscellaneous Expense by \$5,467. See RBM-14

9
10 Operating Income Adjustment No. 17 – Income Taxes

11 **Q. Have you calculated income tax expense based on both RUCO's**
12 **recommended adjusted operating income for the TY and the**
13 **recommended operating income associated with RUCO's revenue**
14 **increase?**

15 A. Yes. For the Water Division, RUCO's adjusted TY income tax adjustment
16 increases the income tax expense by \$149,026. For the Wastewater
17 Division, RUCO's adjusted TY income tax adjustment increases the
18 income tax expense by \$125,244.

19
20 **Q. Did the Company use the most current statutory State income tax**
21 **rate of 6.50 percent rather than the superseded rate of 6.968 percent?**

22 A. No. The Company calculated state income tax expense using the
23 superseded rate of 6.968 percent. The Arizona Corporate Income Tax

1 Rates have been changed in accordance with HB 2001. The adjusted
2 rate has been reduced to 6.50 percent effective with the tax year ending
3 December 31, 2014. (See Attachment B)

4
5 **Q. Have you included an interest synchronization calculation in your**
6 **computation of income tax expense?**

7 **A.** Yes. Interest synchronization has been included in RUCO' calculation for
8 income tax purposes. Interest synchronization is calculated by multiplying
9 the adjusted TY rate base by the weighted average cost of debt. The
10 income tax gross up revenue conversion factor also includes an element
11 for the increase in property taxes due to RUCO's recommended level of
12 increased revenues.

13
14 **RUCO'S WEIGHTED AVERAGE COST OF CAPITAL CALCULATION**

15 **Q. Has RUCO performed an extensive cost of capital review in LPSCO's**
16 **rate application?**

17 **A.** No. RUCO will rely on the cost of capital review as was performed in the
18 most recent Rio Rico Utilities, Inc. rate application. That case was
19 approved by the Commission on July 30, 2013.

1 **Q. Can you describe the capital structure of LPSCO's Water and**
2 **Wastewater Divisions as filed in the rate application?**

3 A. The Company's current capital structure is comprised of \$10,420,000
4 (15.87 percent) of Long-Term Debt and Common Equity of \$55,240,319
5 (85.13 percent). The cost rate of Long Term Debt is 6.86 percent and the
6 cost of Common Equity that the Company is requesting is 10.00 percent.
7

8 **Q. What did RUCO propose as a cost of equity is their testimony related**
9 **to the Rio Rico Utilities application?**

10 A. RUCO recommended that the Commission adopt a 9.00 percent cost of
11 Common Equity. At that time 9.00 percent was 26 basis points more than
12 the high side of the range of results obtained in RUCO's cost of equity
13 analysis, and was 170 points lower than the 10.70 percent cost of equity
14 proposed by Rio Rico Utilities.
15

16 **Q. What was the final cost of equity approved by the Commission in its**
17 **final order?**

18 A. In Decision No. 73996 the Commission approved a 9.20 percent of
19 Common Equity and a final overall rate of return to be 8.50 percent.
20
21
22

1 **Q. Is RUCO recommending a 9.20 percent cost of common equity in this**
2 **rate case?**

3 A. Yes. RUCO is recommending 9.20 percent. The overall Weighted Average
4 Cost of Capital assuming 9.20 percent cost of Common Equity and a 6.86
5 percent cost rate of the Company's Long Term Debt, is 8.83 percent.

6
7 **Q. How does this compare to Rio Rico's overall rate of return?**

8 A. The final overall rate of return as approved in the Rio Rico case filing was
9 8.50 percent and RUCO's proposed rate of return in this filing is 8.83
10 percent.

11
12 **Q. Does RUCO's Weighted Average Cost of Capital of 8.83 percent take**
13 **into account adjustments assuming that a DSIC or SIB mechanism is**
14 **approved by the Commission?**

15 A. No. RUCO is recommending a 9.20 cost of Common Equity under the
16 assumption that a DSIC or SIB mechanism is not approved. The cost of
17 Common Equity would have been evaluated differently assuming the
18 approval of a DSIC or SIB mechanism.

1 **Q. Did Decision No. 73996, Rio Rico Utilities, when the Commission**
2 **approved the cost of Common Equity of 9.20 percent, contain a DSIC**
3 **or SIB mechanism?**

4 A. No. The 9.20 percent cost of Common Equity was approved without either
5 of these mechanisms.

6
7 **VI. OTHER ISSUES**

8 **Q. Has LPSCO requested in this current rate filing what they define as**
9 **“Liberty’s Policy Proposals?”**

10 A. Yes. I will identify what the Company has proposed and then expound on
11 each of these items.

- 12 1) Proposal Number 1 – DSIC and CSIC
13 2) Proposal Number 2 – Property Tax Accounting Deferral
14 3) Proposal Number 3 – Purchase Power Pass Through Adjustment
15 Mechanism (“PPAM”)
16 3) Proposal Number 4 – Balanced Rate Design

17
18 **Proposal Number 1 - DSIC and CSIC**

19 **Q. Did the Company in its current rate application request a DSIC and a**
20 **CSIC?**

21 A. Yes. The Company requested a DSIC for its water division and a CSIC
22 for its wastewater division.

1 **Q. In the Company's request for a DSIC and CSIC what has been**
2 **provided to support their request?**

3 A. The Company provided an Engineering Study prepared by Keogh
4 Engineering, Inc., titled "Asset Management Plan." Included in the study
5 were cost estimates totaling \$17,287,924 for water system replacements
6 and \$11,298,777 for wastewater system replacements. The Executive
7 Summary read as follows: "An Engineering Cost Estimate has been
8 performed analyzing the cost to replace existing water and sewer
9 infrastructure in Old Litchfield Park, Arizona. The analysis is based on the
10 oldest improvements being removed and replaced first and then
11 progresses to the most recent improvements. Current contractor costs
12 were utilized for the cost estimates."

13
14 **Q. In the Engineering Study was there any mention that the**
15 **infrastructure identified as being replaced, was leaking excessively**
16 **and that the service being provided to existing customers was less**
17 **than adequate?**

18 A. No. Nothing was mentioned that the water or wastewater systems were
19 providing less than adequate service nor was there any indication that the
20 either system had excessive leakage problems.

1 **Q. Since the Company's rate filing has the Commission approved a**
2 **DSIC or a CSIC mechanism?**

3 A. Yes. On August 5, 2011 Arizona Water Company ("AWC") Eastern Group
4 filed an application requesting adjustments to its rates and charges in its
5 Eastern Group water systems.

6
7 On February 20, 2013, the Commission issued Decision no. 73736
8 granting AWC a rate increase for its Eastern Group systems, however,
9 kept open for further consideration of a "Phase 2" DSIC Recommended
10 Order to be considered at the June 11 and 12, 2013 Open Meeting.

11
12 On April 8, 2013, an evidentiary hearing commenced on the merits of a
13 DSIC and ultimately concluded on April 11, 2013. On April 29, 2013, post-
14 hearing briefs were filed by all parties including RUCO. RUCO submitted
15 its brief on April 29, 2013 opposing the implementation of a DSIC or SIB.

16
17 On June 28, 2013, the Commission approved the SIB mechanism in
18 Decision No. 73938. On July 17, 2013, RUCO filed an Application for
19 Rehearing of Decision No. 73938 and specifically identified errors and
20 inconsistencies with this decision as well as the original Decision No.
21 73736.

1 **Q. What action did the Commission take on RUCO's Application for**
2 **Rehearing of Decision No. 73938?**

3 A. In the Staff Open Meeting held on August 15, 2013, the Commission
4 agreed to a (1) rehearing of Decision No. 73938, (2) the reopening of
5 Decision No. 73736 for consideration of modifying the decision, and (3)
6 consolidating these matters and directing the Hearing Division to hold
7 proceedings on the consolidated matters and prepare a recommended
8 opinion and order.

9
10 **Q. Does RUCO believe that the Engineering Study in LPSCO's**
11 **application provides sufficient information for the Commission to**
12 **approve a DISC or a CSIC mechanism?**

13 A. No. When reviewing the information necessary to be included when filing
14 for a SIB as identified in Decision No. 73938, there were many
15 requirements that LPSCO has not complied. While there has been a
16 decision made by the Commission to rehear Decision No. 73938, the
17 Commission has laid the groundwork for the information they consider to
18 be relevant in requesting a DSIC or CSIC mechanism. Even without this
19 decision, the Engineering Study as filed is not sufficient for the
20 Commission to approve a DSIC or a CSIC. Most important, there is no
21 information provided by the Company that identifies the effect on
22 ratepayers.

1 **Q. Can you please explain why RUCO has opposed a SIB mechanism in**
2 **past rate cases?**

3 A. Yes. In past rate cases RUCO has opposed a DSIC, CSIC and/or a SIB
4 mechanism, for the following reasons: (1) It allows for the recovery of
5 routine plant improvements outside of a rate case that would normally be
6 recovered in a general rate case filing, (2) The SIB is a one-sided
7 mechanism that works only for the benefit of the company and the
8 company's shareholders, (3) There has been no Federal or State
9 mandates that requires recovery of routine plant investments through a
10 surcharge, (4) LPSCO has not provided proof that they would be unable to
11 ensure safe and reliable water service or achieve cost recovery without
12 the adoption of a SIB mechanism.

13
14 **Q. In regard to RUCO's first reason for rejecting the Company-proposed**
15 **DSIC, are the types of infrastructure improvements that would be**
16 **recovered through the DSIC extraordinary in nature?**

17 A. No. The types of infrastructure improvements for which the Company
18 seeks cost recovery for through a DSIC mechanism are routine in nature.
19 These are plant and infrastructure improvements that any regulated utility
20 would normally make as existing assets reach the end of their useful lives.
21 There is nothing extraordinary about these types of plant additions. The
22 normal regulatory procedures allow cost recovery for these types of plant
23 additions after a determination of prudence and that the additions meet the

1 used and useful standard during a general rate case proceeding when all
2 of the various ratemaking elements are taken into consideration. RUCO
3 has consistently opposed the use of cost recovery mechanisms that do
4 not allow for the type of thorough analysis that takes place in a general
5 rate case proceeding.

6
7 **Q. What about the benefit of a reduction in Operations and Maintenance**
8 **(“O&M”) Expenses as a result of new infrastructure improvements?**

9 A. The addition of new plant and infrastructure that replaces aging plant can
10 have an impact on operating expenses which are recovered by a utility on
11 a dollar-for-dollar basis in new rates. New additions can have the effect of
12 lowering pumping power costs as well as reducing other O&M expenses.
13 Ratepayers receive no benefit from any cost savings that are related to
14 the plant additions that they will be paying for through the DSIC. Any
15 potential cost savings resulting from new plant additions would not be
16 passed on to ratepayers.

17
18 **Q. In the SIB mechanism approved by the Commission in Decision No.**
19 **73938, wasn't there a 5 percent “efficiency credit” used to reduce the**
20 **increase to ratepayers as a result of the SIB?**

21 A. Yes there was an “efficiency credit” approved. However, a 5 percent
22 credit compared to the O&M expense reductions doesn't appear to be a
23 significant benefit to ratepayers. For example, in a recent case a

1 Company estimated \$900,000 infrastructure improvements identified as
2 SIB eligible. The SIB eligible projects created a future expected revenue
3 increase to the Company of approximately \$100,000. The 5 percent
4 efficiency credit would benefit the ratepayer by reducing future rates by
5 only \$5,000. I would have to think that a Company upgrading plant
6 infrastructure by \$900,000 would expect more than \$5,000 in reductions to
7 their O&M expenses.

8
9 **Q. Are there any federal or state regulations that require the**
10 **Commission to approve a mechanism that is similar to the ACRM?**

11 **A.** No. Unlike the circumstances surrounding plant that was required for
12 reducing the level of arsenic in drinking water, there are no federal or state
13 requirements that warrant the implementation of a mechanism similar to
14 the Arsenic Cost Recovery Mechanism ("ACRM")⁵ for the recovery of
15 aging plant between general rate cases. RUCO believes that the routine
16 replacement of aging infrastructure, does not qualify as an extraordinary
17 circumstance that requires a mechanism such as the ACRM which was
18 specifically designed to address a one-time event.

19
20
21

⁵ The ACRM was adopted by the Commission in order to allow Arizona water providers to recover the costs associated with meeting more stringent arsenic level standards imposed by the federal government.

1 **Q. Please discuss RUCO's fourth reason for rejecting the DSIC.**

2 A. RUCO believes that LPSCO should replace aging infrastructure as part of
3 the Company's normal course of infrastructure improvements to ensure
4 continued safety and reliability. LPSCO has not indicated in their
5 application that the denial of a DSIC would change its ability to meet the
6 Company's statutory and regulatory commitments and LPSCO does not
7 contend that it is financially unable to make necessary and prudent
8 infrastructure replacements without the DSIC.

9

10 **Q. Mr. Mease, can you please summarize RUCO's position on the**
11 **establishment of SIB mechanism in this rate case and future rate**
12 **cases?**

13 A. Yes. RUCO does not agree with the establishment of a SIB in this case or
14 future rate cases.

15

16 **Q. Does this conclude your testimony on the approval of a SIB**
17 **mechanism?**

18 A. Yes.

19

20

21

22

23

Proposal Number 2 - Property Tax Accounting Deferral

Q. Can you please explain what the Company is proposing when asking for a Property Tax Accounting Deferral?

A. LPSCO has proposed a regulatory asset or liability to recover or refund property tax rates expenses greater than property tax rates experienced in the test year. Mr. Kreiger states in his testimony that if the Company experiences a significant increase in property taxes as it has over the past few years that allowing a deferral will refrain the Company from coming in for a rate case driven by increases in property tax expense.

Q. Does RUCO believe this to be sufficient justification for proposing a Property Tax Accounting Deferral?

A. No. First of all property tax increases are primarily driven by increases in revenues. When revenues increase property taxes increase and when they decrease property taxes will decrease. Without the Company identifying a significant increase or decrease in revenues then a property tax deferral is not necessary. In addition, the assessment ratio is decreasing over the next several years. If revenues increase during the next several years then property tax expense should be offset by the reduction in the assessment ratio.

Proposal Number 3 – PPAM

Q. Can you please explain what the Company is proposing when asking for a PPAM?

A. The Company has identified the PPAM as another regulatory tool that furthers rate gradualism. They identify purchased power, along with labor, as one of LPSCO's top five largest expenses and state that the cost of purchased power is largely outside the Company's control. The Company further states "If power is volatile enough for the power companies to need an adjuster, that adjust the rates we pay them in the first place, that the same volatility is just being passed on to us."

Q. Do you believe that this is a valid argument by the Company for requesting a PPAM?

A. No. There are several reasons why this is invalid reasoning. First, by definition, adjustor mechanisms are appropriate for expenses that routinely fluctuate widely. When reviewing Schedules E-1 for both the water and wastewater divisions these expenses do not fluctuate widely.

The purchased power expenses for the last three years are as follows:

<u>Year</u>	<u>Water Division</u>	<u>Wastewater Division</u>
2010	\$937,193	\$629,703
2011	\$898,826	\$619,910
2012	\$903,546	\$601,635

(Note: 2012 Test Year Adjusted)

1 In the case of LPSCO purchase power clearly is not an expense that
2 fluctuates substantially. In fact when reviewing the past three years
3 purchased power costs in LPSCO, year 2012 costs are lower than the
4 three year average cost. Second, purchased power for electricity
5 companies, referenced in LPSCO's testimony, is very close to 50 percent
6 of the total operating costs and the fuel component of their purchased
7 power costs is very volatile. Third, LPSCO has done an outstanding job of
8 controlling their purchased power costs. There could be a disincentive if
9 they, or any other water utility, is given the opportunity to pass on to
10 ratepayers increased costs whenever they occur.

11
12 **Q. Has the Commission considered a PPAM for water systems in prior**
13 **rate applications?**

14 **A.** Yes. Arizona Water Company filed a rate application for all seventeen of
15 its systems on August 22, 2008 and had requested a purchase power and
16 fuel adjuster mechanism. In Decision No. 71856, dated August 24, 2010,
17 the Commission denied the adjustor mechanism and the decision read as
18 follows:

19 "There is a danger of piecemeal regulation inherent in adjustment
20 mechanisms. Because they allow increases in rates without a
21 simultaneous review of the utility's unrelated costs, adjustment
22 mechanisms have a built-in potential of allowing a utility to increase
23 rates based on certain isolated costs when its other costs are

1 declining, or when overall revenues are increasing faster than costs
2 due to customer growth. Adjustment mechanisms should therefore
3 be used only in extraordinary circumstances to mitigate the effect of
4 uncontrollable price volatility or uncertainty in the marketplace."⁶
5

6 **Proposal Number 4 – Balanced Rate Design**

7 **Q. Can you please explain what is meant when the Company requests a**
8 **"Balanced Rate Design?"**

9 A. LPSCO would like the Commission to adopt a fixed charge of
10 approximately 40 percent of the revenue requirement, with the remaining
11 revenue being spread in a more balanced manner across the rate tiers
12 instead of being concentrated in the highest consumption tiers. In
13 addition, the Company is requesting that the Commission set a near term
14 goal through a policy statement of water and sewer utilities fixed charge
15 ratio's reaching the 50 percent threshold of revenue requirement with a
16 reasonable balance between the volumetric tiers.
17

18 **Q What is RUCO's response to the Company's request?**

19 A. First, RUCO has been recommending the fixed monthly charge related to
20 residential ratepayers at approximately 45 percent in the most recent
21 cases. RUCO believes that spreading the revenues more evenly across
22 tiers does not encourage conservation. Water conservation has been a

⁶ See Decision No. 71845

1 goal of the Commission for many years and this could have a negative
2 effect on those individuals who in fact are making attempts to conserve.

3

4 **Q. Does RUCO have any additional comments related to “Balanced Rate**
5 **Design?”**

6 A. While RUCO’s primary function is for the protection of the residential
7 ratepayer, it seems apparent that a 50 / 50 fixed charge / commodity cost
8 split would be very difficult to absorb by Commercial and Industrial
9 ratepayers. RUCO will provide additional input on this subject during our
10 Rate Design testimony.

11

12 **Q. Does your silence on any of the issues, matters or findings**
13 **addressed in the testimony of any of the witnesses for LPSCO**
14 **constitute your acceptance of their positions on such issues,**
15 **matters, or findings?**

16 A. No, it does not. RUCO has not received complete responses to all Data
17 Requests submitted to the Company. The Company indicated on its last
18 response that they “Will be provided once the information has been
19 compiled.”

20

21 **Q. Does this conclude your testimony on LPSCO’s Water and**
22 **Wastewater Divisions?**

23 A. Yes, it does.

ATTACHMENT A

ROBERT B. MEASE, CPA
Education and Professional Qualifications

EDUCATION

Bachelors Degree Business Administration / Accounting - Morris Harvey College.

Attended West Virginia School of Graduate Studies and studied Accounting and Public Administration

Attended numerous courses and seminars for Continuing Professional Educational purposes.

WORK EXPERIENCE

Controller

Knives of Alaska, Inc., Diamond Blade, LLC., and Alaska Expedition Company.

Financial Manager / CFO

All Saints Camp & Conference Center

Energy West, Inc.

Vice President, Controller

- Led team that succeeded in obtaining a \$1.5 million annual utility rate increase
- Coached accountants for proper communication techniques with Public Service Commission, supervised 9 professional accountants
- Developed financial models used to negotiate an \$18 million credit line
- Responsible for monthly, quarterly and annual financial statements for internal and external purposes, SEC filings on a quarterly and annual basis, quarterly presentations to Board of Directors and shareholders during annual meetings, coordinated annual audit
- Communication with senior management team, supervised accounting staff and resolved all accounting issues, reviewed expenditures related to capital projects
- Monitored natural gas prices and worked with senior buyers to ensure optimal price obtained

Junkermier, Clark, Campanella, Stevens

Consulting Staff

- Established a consulting practice that generated approximately \$160k the first year of existence
- Prepared business plan and projections for inclusion in clients financing documents
- Prepared written reports related to consulting engagements performed
- Developed models used in financing documents and made available for other personnel to use
- Performed Profit Enhancement engagements
- Participated during audit of large manufacturing client for two reporting years

Prior to 1999, held various positions: TMC Sales, Inc. as **Vice President / Controller**, with American Agri-Technology Corporation as **Vice President / CFO** and with Union Carbide Corporation as **Accounting Manager**. (Union Carbide was a multi-national Fortune 500 Company that was purchased by Dow Chemical)

PROFESSIONAL AFFILIATIONS

Member - Institute of Management Accountants

Member - American Institute of CPA's

Past Member - WV Society of CPA's and Montana Society of CPA's

RESUME OF RATE CASE AND REGULATORY PARTICIPATION WITH RUCO

<u>Utility Company</u>	<u>Docket No.</u>
Arizona Water Company (Eastern Group)	W-01445A-11-0310
Pima Utility Company	W-02199A-11-0329 et al.
Tucson Electric Power Company	E-01933A-12-0291
Arizona Water Company (Northern Group)	W-01445A-12-0348
UNS Electric	E-04204A-12-0504
Global Water	W-01212A-12-0309 et al.

ATTACHMENT B

1 (c) For the third tax year of assessment, the assessor shall use
2 sixty-two per cent of the scheduled depreciated value.

3 (d) For the fourth tax year of assessment, the assessor shall use
4 seventy-eight per cent of the scheduled depreciated value.

5 (e) For the fifth tax year of assessment, the assessor shall use
6 ninety-four per cent of the scheduled depreciated value.

7 (f) For the sixth and subsequent tax years of assessment, the assessor
8 shall use the scheduled depreciated value as prescribed in the department's
9 guidelines.

10 3. FOR PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER
11 TAX YEAR 2012 AS CLASS ONE, PARAGRAPH 8, 9, 10 OR 13 PURSUANT TO SECTION
12 42-12001 AND PERSONAL PROPERTY THAT IS INITIALLY CLASSIFIED DURING OR AFTER
13 TAX YEAR 2012 AS CLASS TWO (P) PURSUANT TO SECTION 42-12002:

14 (a) FOR THE FIRST TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
15 TWENTY-FIVE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

16 (b) FOR THE SECOND TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
17 FORTY-ONE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

18 (c) FOR THE THIRD TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
19 FIFTY-SEVEN PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

20 (d) FOR THE FOURTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
21 SEVENTY-THREE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

22 (e) FOR THE FIFTH TAX YEAR OF ASSESSMENT, THE ASSESSOR SHALL USE
23 EIGHTY-NINE PER CENT OF THE SCHEDULED DEPRECIATED VALUE.

24 (f) FOR THE SIXTH AND SUBSEQUENT TAX YEARS OF ASSESSMENT, THE ASSESSOR
25 SHALL USE THE SCHEDULED DEPRECIATED VALUE AS PRESCRIBED IN THE DEPARTMENT'S
26 GUIDELINES.

27 C. The additional depreciation prescribed in subsection B of this
28 section:

29 1. Does not apply to any property valued by the department.

30 2. Shall not reduce the valuation below the minimum value prescribed
31 by the department for property in use.

32 Sec. 84. Section 42-15001, Arizona Revised Statutes, is amended to
33 read:

34 42-15001. Assessed valuation of class one property

35 The assessed valuation of class one property described in section
36 42-12001 is the following percentage of its full cash value or limited
37 valuation, as applicable:

38 1. Twenty-five per cent through December 31, 2005.

39 2. Twenty-four and one-half per cent beginning from and after December
40 31, 2005 through December 31, 2006.

41 3. Twenty-four per cent beginning from and after December 31, 2006
42 through December 31, 2007.

43 4. Twenty-three per cent beginning from and after December 31, 2007
44 through December 31, 2008.

1 5. Twenty-two per cent beginning from and after December 31, 2008
2 through December 31, 2009.

3 6. Twenty-one per cent beginning from and after December 31, 2009
4 through December 31, 2010.

5 7. Twenty per cent beginning from and after December 31, 2010 THROUGH
6 DECEMBER 31, 2012.

7 8. NINETEEN AND ONE-HALF PER CENT BEGINNING FROM AND AFTER DECEMBER
8 31, 2012 THROUGH DECEMBER 31, 2013.

9 9. NINETEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2013
10 THROUGH DECEMBER 31, 2014.

11 10. EIGHTEEN AND ONE-HALF PER CENT BEGINNING FROM AND AFTER DECEMBER
12 31, 2014 THROUGH DECEMBER 31, 2015.

13 11. EIGHTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2015.

14 Sec. 85. Section 42-15002, Arizona Revised Statutes, is amended to
15 read:

16 42-15002. Assessed valuation of class two property

17 The following percentages apply to the full cash value or limited
18 valuation, as applicable, as a basis for determining the assessed valuation
19 of class two property described in section 42-12002:

20 1. Class two (R): sixteen per cent THROUGH DECEMBER 31, 2015 AND
21 FIFTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2015.

22 2. Class two (P): sixteen per cent THROUGH DECEMBER 31, 2015, AND
23 FIFTEEN PER CENT BEGINNING FROM AND AFTER DECEMBER 31, 2015, of the value
24 exceeding the maximum amount of valuation of personal property that is exempt
25 from taxation pursuant to section 42-11127.

26 Sec. 86. Section 42-15102, Arizona Revised Statutes, is amended to
27 read:

28 42-15102. Notice information entered by assessor

29 A. The assessor shall include in the assessment notice:

30 1. The full cash value found by the assessor for the property for the
31 preceding valuation year.

32 2. The classification of the property pursuant to chapter 12 of this
33 title.

34 3. The mailing date of the notice.

35 4. The last date on which the owner may file an appeal from the
36 valuation or classification assigned to the property.

37 B. Except for property that is listed as class three property under
38 section 42-12003, OWNER-OCCUPIED RESIDENTIAL PROPERTY THAT IS LISTED AS CLASS
39 FOUR PROPERTY UNDER SECTION 42-12004, SUBSECTION A, PARAGRAPH 1 and single
40 family rented residential property that is listed as class four property
41 under section 42-12004, subsection A, paragraph ~~1~~ 2, the notice shall
42 separately list the full cash value of the land and the full cash value of
43 the improvement or improvements associated with the land.

1 H. A taxpayer who claims a credit under section 43-1074, 43-1077 or
2 43-1079 may not claim a credit under this section with respect to the same
3 full-time employment positions.

4 I. The department of revenue shall adopt rules and prescribe forms and
5 procedures as necessary for the purposes of this section. The department of
6 revenue and the ~~department of commerce~~ ARIZONA COMMERCE AUTHORITY shall
7 collaborate in adopting rules as necessary to avoid duplication and
8 contradictory requirements while accomplishing the intent and purposes of
9 this section.

10 J. For the purposes of this section, renewable energy operations are
11 limited to manufacturers of, and headquarters for, systems and components
12 that are used or useful in manufacturing renewable energy equipment for the
13 generation, storage, testing and research and development, transmission or
14 distribution of electricity from renewable resources, including specialized
15 crates necessary to package the renewable energy equipment manufactured at
16 the facility.

17 Sec. 104. Repeal

18 Section 43-1088.01, Arizona Revised Statutes, is repealed.

19 Sec. 105. Section 43-1111, Arizona Revised Statutes, is amended to
20 read:

21 43-1111. Tax rates for corporations

22 There shall be levied, collected and paid for each taxable year upon
23 the entire Arizona taxable income of every corporation, unless exempt under
24 section 43-1126 or 43-1201 or as otherwise provided in this title or by law,
25 taxes in an amount of ~~6.968 per cent of net income or fifty dollars,~~
26 ~~whichever is greater.~~ THE GREATER OF FIFTY DOLLARS OR:

27 1. FOR TAXABLE YEARS BEGINNING THROUGH DECEMBER 31, 2013, 6.968 PER
28 CENT OF NET INCOME.

29 2. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2013
30 THROUGH DECEMBER 31, 2014, 6.5 PER CENT OF NET INCOME.

31 3. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2014
32 THROUGH DECEMBER 31, 2015, 6.0 PER CENT OF NET INCOME.

33 4. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2015
34 THROUGH DECEMBER 31, 2016, 5.5 PER CENT OF NET INCOME.

35 5. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2016, 4.9
36 PER CENT OF NET INCOME.

37 Sec. 106. Section 43-1139, Arizona Revised Statutes, is amended to
38 read:

39 43-1139. Allocation of business income

40 A. Except as provided in subsection B of this section, the taxpayer
41 shall elect to apportion all business income to this state for taxable years
42 beginning from and after:

43 1. December 31, 2006 through December 31, 2007 by either:

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RBM-3	1	RATE BASE ADJUSTMENTS
RBM-4(a)	1 of 2	SUMMARY OF UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENTS
RBM-4(a)	2 of 2	SUMMARY OF UPIS ACCUMULATED DEPRECIATION ("A/D") ADJUSTMENTS
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RBM-4(h)	1	ADDITIONAL ACCUMULATED DEPRECIATION ("A/D") FOR LATE RECORDED UPIS INVOICES
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RBM-21	1	INTENTIONALLY LEFT BLANK
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RBM-32	1	COST OF CAPITAL

RUCO RECOMMENDED REVENUE REQUIREMENT

Line No.	Description	[A] Company OCRB/FVRB Cost	[B] RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	\$ 35,647,602	\$ 33,245,457
2	Adjusted Test Year Operating Income (Loss)	\$ 2,024,376	\$ 2,259,901
3	Current Rate Of Return (L2 / L1)	5.68%	6.80%
4	Required Operating Income (L5 X L1)	\$ 3,387,127	\$ 2,935,126
5	Required Rate Of Return On Fair Value Rate Base	9.50%	8.83%
6	Operating Income Deficiency (L4 - L2)	\$ 1,362,751	\$ 675,225
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6563	1.6466
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 2,257,160	\$ 1,111,850
9	Adjusted Test Year Revenues	\$ 11,201,390	\$ 11,260,093
10	Proposed Annual Revenue (L8 + L9)	\$ 13,458,550	\$ 12,371,943
11	Required Percentage Increase In Revenue (L8 / L9)	20.15%	9.87%
12	Rate Of Return On Common Equity	10.00%	9.20%

References:

Column [A]: Company Schedules A-1, B-1, C-1, and D-1
Column [B]: RUCO Schedule RBM-2, RBM-13 and RBM-32

RUCO GROSS REVENUE CONVERSION FACTOR ("GRCF")

LINE NO.	DESCRIPTION	[A]	[B]	[C]
<u>Calculation of Gross Revenue Conversion Factor:</u>				
1	Revenue	100.0000%		
2	Uncollectible Factor	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.2701%		
5	Subtotal (L3 - L4)	60.7299%		
6	Revenue Conversion Factor (L1 / L5)	1.6466		
<u>Calculation of Uncollectible Factor:</u>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	38.2900%		
9	One Minus Combined Income Tax Rate (L7 - L8)	61.7100%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)	0.0000%		
<u>Calculation of Effective Tax Rate:</u>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col. [C], L53)	34.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	31.7900%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.2900%	
<u>Calculation of Effective Property Tax Factor</u>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	38.2900%		
20	One Minus Combined Income Tax Rate (L18-L19)	61.7100%		
21	Property Tax Factor (Sch. RBM-9, Col. [B], L24)	1.5883%		
22	Effective Property Tax Factor (L20 x L21)		0.9801%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. [B], L17 + L22)			39.2701%
24	Required Operating Income (Sch. RBM-1, Col. [B] Line 4)	\$ 2,935,126		
25	Adjusted Test Year Operating Income (Loss) (Sch. RBM-1, Col. [B], L2)	2,259,901		
26	Required Increase in Operating Income (L24 - L25)		\$ 675,225	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 1,596,626		
28	Income Taxes on Test Year Revenue (Col. [A], L52)	1,177,660		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		418,966	
30	Recommended Revenue Requirement (Sch. RBM-1, Col. [B], Line 10)	\$ 12,371,943		
31	Uncollectible Rate (L10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L30 x L31)	\$ -		
33	Adjusted Test Year Uncollectible Expense (Sch. RBM-6, Col. [C], L32)	\$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)			
35	Property Tax with Recommended Revenue (Sch. RBM-9, Col. [B], L19)	\$ 552,666		
36	Property Tax on Test Year Revenue (Sch. RBM-9, Col. [B], L20)	535,007		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		17,659	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		\$ 1,111,850	
<u>Calculation of Income Tax:</u>				
39	Revenue (Sch. RBM-1, Col. [B], Line 9 & Sch. RBM-1, Col. [B], L10)	\$ 11,260,093	\$ 1,111,850	\$ 12,371,943
40	Operating Expenses Excluding Income Taxes	\$ 7,822,532		\$ 7,840,191
41	Synchronized Interest (Col. [C], L57)	\$ 361,927		\$ 361,927
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 3,075,634		\$ 4,169,825
43	Arizona State Income Tax Rate	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	\$ 199,916		\$ 271,039
45	Federal Taxable Income (L42 - L44)	\$ 2,875,718		\$ 3,898,786
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500		\$ 7,500
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 6,250		\$ 6,250
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500		\$ 8,500
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 91,650		\$ 91,650
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 863,844		\$ 1,211,687
51	Total Federal Income Tax	\$ 977,744		\$ 1,325,587
52	Combined Federal and State Income Tax (L44 + L51)	\$ 1,177,660		\$ 1,596,626
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			34.0000%
54	<u>Synchronized Interest Calculation:</u>			
55	Rate Base		\$	33,245,457
56	x Weighted Average Cost of Debt			1.0887%
57	Synchronized Interest		\$	361,927

RUCO RATE BASE SUMMARY

Line No.	Description	[A] Company As Filed OCRB/FVRB	[B] RUCO Adjustments	[C] RUCO As Adjusted OCRB/FVRB
1	Gross Utility Plant In Service	\$ 91,151,411	\$ (32,483)	\$ 91,118,928
2	Accumulated Depreciation	(16,514,086)	(2,502,368)	(19,016,454)
3	Net Utility Plant In Service (L1 + L2)	\$ 74,637,324	\$ (2,534,851)	\$ 72,102,474
	Less:			
4	Advances In Aid Of Construction ("AIAC")	\$ (30,374,274)	\$ -	\$ (30,374,274)
5	Contribution In Aid Of Construction ("CIAC")	(7,324,578)	(101,234)	(7,425,812)
6	Accumulated Amortization of CIAC	1,489,772	(203,918)	1,285,854
7	NET CIAC (L5 + L6)	\$ (5,834,806)	\$ (305,152)	\$ (6,139,957)
8	Customer Meter Deposits	\$ (1,271,802)	\$ (160,986)	\$ (1,432,787)
9	Customer Security Deposits	(140,147)	(7,785)	(147,932)
10	Accumulated Deferred Income Taxes ("ADIT")	(1,459,075)	605,941	(853,134)
	Plus:			
11	Deferred Regulatory Assets - TCE Plume	90,381	688	91,069
12	Allowance For Working Capital	-	-	-
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 35,647,602</u>	<u>\$ (2,402,144)</u>	<u>\$ 33,245,457</u>

References:

Column [A]: Company Schedule B-1
Column [B]: RBM-3, Columns [B] Thru [K]
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENTS

Line No.	Description	(A) Actual Test Year OCRB/FVRB	(B) Adjust No. 1 Utility Plant in Service Adjustments	(C) Adjust No. 2 Accumulated Depreciation	(D) Adjust No. 3 Intentionally Left Blank	(E) Adjust No. 4 CIAC & Amortization Adjustments	(F) Adjust No. 5 Customer Meter Deposits	(G) Adjust No. 8 Customer Security Deposits	(H) Adjust No. 7 Intentionally Left Blank	(I) Adjust No. 8 Intentionally Left Blank	(J) Adjust No. 9 ADIT Adjustment	(K) Adjust No. 10 TCE Plume Reg. Asset	(L) Total RUCO Adjustments	(M) Recommended OCRB/FVRB
1	Gross Utility Plant in Service	\$ 91,151,411	\$ (32,483)	\$ (2,502,389)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (32,483)	\$ 91,118,928
2	Accumulated Depreciation	(18,514,086)	-	-	-	-	-	-	-	-	-	-	(2,502,389)	(19,016,475)
3	Net Utility Plant in Service (L1 + L2)	\$ 74,637,324	\$ (32,483)	\$ (2,502,389)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,534,871)	\$ 72,102,474
4	Advances in Aid of Construction ("CIAC")	\$ (30,374,274)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (30,374,274)
5	Contribution in Aid of Construction ("CIAC")	(7,324,578)	-	-	-	-	-	-	-	-	-	-	-	-
6	Accumulated Amortization of CIAC	1,489,772	-	-	-	(101,234)	-	-	-	-	-	-	(101,234)	(7,425,812)
7	NET CIAC (L5 + L6)	\$ (6,834,806)	\$ -	\$ -	\$ -	(305,152)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(203,918)	1,285,854
8	Customer Meter Deposits	\$ (1,271,802)	\$ -	\$ -	\$ -	\$ -	\$ (160,988)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (305,152)	\$ (6,139,857)
9	Customer Security Deposits	(140,147)	-	-	-	-	-	(7,786)	-	-	-	-	\$ (160,988)	\$ (1,432,787)
10	Accumulated Deferred Income Taxes ("ADIT")	(1,458,075)	-	-	-	-	-	-	-	-	605,941	-	(7,786)	(147,832)
	PLUME:													
11	Deferred Regulatory Assets - TCE Plume	80,381	-	-	-	-	-	-	-	-	-	688	805,941	(853,134)
12	Allowance For Working Capital	-	-	-	-	-	-	-	-	-	-	-	888	81,069
13	TOTAL RATE BASE (Sum L's 3, 4, 7, 8 Thru 12)	\$ 35,647,802	\$ (32,483)	\$ (2,502,389)	\$ -	\$ (305,152)	\$ (160,988)	\$ (7,786)	\$ -	\$ -	\$ 605,941	\$ 688	\$ (2,402,144)	\$ 33,245,657

RUCO ADJUSTMENTS:

Adjustment No. 1: Correct Utility Plant in Service ("UPIS") Balance as Filed by Company. See RUCO Rate Base Adjustment No. 1 on Schedule RBM-4(a) 2012 TY Plant Summary Schedule on page 1 of 2, Column [J] at line 35;
 Adjustment No. 2: Correct UPIS Accumulated Depreciation ("ADP") Balance as Filed by Company. See RUCO Adjustment No. 2 on Schedule RBM-4(a) 2012 A/D Summary Schedule on page 2 of 2, Column [J] at line 35;
 Adjustment No. 3: Intentionally Left Blank;
 Adjustment No. 4: Correct Contributions in Aid of Construction ("CIAC") & CIAC Amortization Balances as Filed by Company. See RUCO Schedule RBM-5 CIAC Reconstruction Schedules on page 1 of 6 at lines 3 & 8 with Total Net Adjustment at line 7 and on page 6 of 6, Column [G] & [H] at line 24;
 Adjustment No. 5: RUCO Recommended 13-Month Average Customer Meter Deposit Balance as Calculated. See RUCO Schedule RBM-7 Customer Meter Deposits on page 1 of 1 at line 3;
 Adjustment No. 6: RUCO Recommended 13-Month Average Customer Security Deposit Balance as Calculated. See RUCO Schedule RBM-8 Customer Security Deposits on page 1 of 1 at line 3;
 Adjustment No. 7: Intentionally Left Blank;
 Adjustment No. 8: Intentionally Left Blank;
 Adjustment No. 9: RUCO Recommended 2012 TY End Accumulated Deferred Income Tax ("ADIT") Balance After RUCO Recommended Rate Base Adjustments. See RUCO Schedule RBM-11 ADIT on page 1 of 2 at line 11;
 Adjustment No. 10: RUCO Recommended TY Month-End Regulatory Asset Balance - TCE Plume. See RUCO Schedule RBM-12 at line 3;

REFERENCES:

Column [A]: Company Schedule B-1
 Column [B] Thru Column [K]: RUCO Recommended Rate Base Adjustments
 Column [L]: Sum of RUCO Recommended Rate Base Adjustments of Columns [B] through [K]
 Column [M]: Column [A] + Column [L]

**RATE BASE ADJUSTMENTS NO. 1
SUMMARY OF UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENTS
TEST YEAR ENDED DECEMBER 31, 2012**

Line No.	Acct No.	[A] Company Plant In Service As Filed	[B] RUCO Adjustment #1 Utility Plant In Service	[C] RUCO Adjustment #2 Plant Reclassifications Per Staff DR DH 5.1 - 5.5	[D] RUCO Adjustment #3 Reclassify Invoices From W to WW Div.	[E] RUCO Adjustment #4 Remove Duplicate Invoices	[F] RUCO Adjustment #5 Truck Retirement Per RUCO DR 3.02	[G] RUCO Adjustment #6 Used Only for WW Division	[H] RUCO Adjustment #7 Used Only for Advt. Late Recorded Inv. AD	[I] RUCO Adjustment #8 Used Only for W Division AD	[J] RUCO Total UPIS Adjustments	[K] RUCO Recommended Plant In Service
1	301	Organization Cost	\$ 21,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,100
2	302	Franchise Cost	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	1,458,278	-	-	-	-	-	-	-	-	1,458,278
4	304	Structures & Improvements	28,000,918	-	(12,156)	-	-	-	-	-	(2,798,188)	25,202,728
5	305	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3,097,345	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	207,020	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	897,792	-	-	-	-	-	-	-	-	-
12	320	Water Treatment Equipment	1,696,759	-	-	-	-	-	-	-	-	-
13	320.1	Water Treatment Plants	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	492,176	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	-	-	-	-	-	-	-	-	-	-
19	333	Services	40,259,045	-	-	-	-	-	-	-	-	-
20	334	Meters	5,350,963	-	-	-	-	-	-	-	-	-
21	335	Hydants	4,759,560	-	-	-	-	-	-	-	-	-
22	336	Backflow Prevention Devices	3,304,755	-	-	-	-	-	-	-	-	-
23	338	Other Plant & Misc Equipment	38,387	-	-	-	-	-	-	-	-	-
24	340	Office Furniture & Equipment	259,531	-	-	-	-	-	-	-	-	-
25	340.1	Computers & Software	651,098	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	-	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	307,592	-	-	-	-	-	-	-	-	-
28	343	Trucks, Shop & Garage Equipment	37,143	-	-	-	-	-	-	-	-	-
29	344	Laboratory Equipment	47,434	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5,803	-	-	-	-	-	-	-	-	-
31	346	Miscellaneous Equipment	-	-	-	-	-	-	-	-	-	-
32	347	Communication Equipment	128,402	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	132,312	-	-	-	-	-	-	-	-	-
34		Plant Held for Future Use	-	-	-	-	-	-	-	-	-	-
35		RUCO UPIS Adjustments	\$ 61,151,411	\$ -	\$ (12,156)	\$ (2,808)	\$ (17,555)	\$ -	\$ -	\$ -	\$ (32,483)	\$ 91,118,928

RUCO Adjustments:

Adjustment No. 1: Correct Utility Plant in Service ("UPIS") Balance as Filed by Company - See RUCO Adjustment No. 1 on Schedule RBM-4(b) 2008 thru 2012 TY Plant Schedules on pages 1-5 at page 5 on line 37;
Adjustment No. 2: Plant Reclassifications - See RUCO Schedule RBM-4(c) on page 1 of 2, Column [B] at line 35;
Adjustment No. 3: Reclassify UPIS Invoices from Water to Wastewater Division - See RUCO Schedule RBM-4(d) on page 1 of 1 at line 13;
Adjustment No. 4: Remove Duplicate Invoices - See RUCO Schedule RBM-4(e) on page 1 of 1 at line 7;
Adjustment No. 5: Record Truck Retirement - See RUCO Schedule RBM-4(f) on page 1 of 1 at line 3;
Adjustment No. 6: Used Only for Wastewater Division;
Adjustment No. 7: Used Only for AD of Late Recorded UPIS Invoices;
Adjustment No. 8: Used Only to Correct Company's AD for Non-Depreciable Account 301 - Organization Cost.

References:

Column [A]: Company Schedule B-2 on page 3 Adjusted Test Year UPIS Balances as Filed;
Column [B] Thru [I]: RUCO Recommended UPIS Adjustments;
Column [J]: Sum of Columns [B] Through [I] - RUCO Sum of Total Recommended UPIS Adjustments;

RATE BASE ADJUSTMENT NO. 2
SUMMARY OF ACCUMULATED DEPRECIATION ADJUSTMENTS
TEST YEAR ENDED DECEMBER 31, 2012

Line No.	Asset No.	[A] Company Accum. Depr. As Filed	[B] RUCO Adjustment #1 Accumulated Depreciation	[C] RUCO Adjustment #2 Plant Reclassifications Per Staff DR 01.6.1 - 6.5	[D] RUCO Adjustment #3 Reclassify Invoices From W to WW Div.	[E] RUCO Adjustment #4 Remove Duplicate Invoices	[F] RUCO Adjustment #5 Truck Retirement Per RUCO DR 3.02	[G] RUCO Adjustment #6 Used Only for WW Division	[H] RUCO Adjustment #7 Additional A/D on Late Recorded UPIs	[I] RUCO Adjustment #8 To Correct A/D of Non-Depr. Plant	[J] RUCO Total Accum. Depr. Adjustments	[K] RUCO Total Accum. Depr. Recommended
1	301	\$ (21,100)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,100	\$ -
2	302	Organization Cost	-	-	-	-	-	-	-	-	-	-
3	303	Franchise Cost	-	-	-	-	-	-	-	-	-	-
4	304	Land & Building Rights	-	-	-	-	-	-	-	-	-	-
5	305	Structures & Impoundments	(3,038,910)	(1,006,248)	251,726	607	-	-	(65,110)	-	(819,025)	(3,855,935)
6	306	Collecting & Impounding Reservoirs	-	-	-	-	-	-	-	-	-	-
7	307	Lake, River, Canal Intakes	-	-	-	-	-	-	-	-	-	-
8	308	Wells & Springs	(915,114)	(107,969)	(14,624)	-	-	-	-	-	(122,593)	(1,037,707)
9	309	Infiltration Galleries	-	-	-	-	-	-	-	-	-	-
10	310	Raw Water Supply Mains	-	-	-	-	-	-	-	-	-	-
11	311	Power Generation Equipment	(87,092)	(12,642)	(681)	-	-	-	-	-	(13,323)	(100,415)
12	312	Pumping Equipment	(759,242)	306,323	43	-	-	-	(14,698)	-	291,866	(467,375)
13	320	Water Treatment Equipment	(199,379)	(53,569)	-	-	-	-	-	-	(63,569)	(262,948)
14	320.2	Water Treatment Plants	-	-	(145,981)	-	-	-	-	-	(145,981)	(145,981)
15	330	Wastewater Chemical Feeders	-	-	-	-	-	-	-	-	-	-
16	330.1	Sludge Reservoirs & Standpipes	(205,453)	(12,204)	-	-	-	-	-	-	(12,204)	(217,657)
17	330.2	Sludge Tanks	-	-	(59,973)	-	-	-	-	-	(59,973)	(59,973)
18	331	Pressure Tanks	-	-	-	-	-	-	-	-	-	-
19	333	Transmission & Distribution Mains	(5,947,658)	(757,892)	-	-	-	-	(1,827)	-	(759,720)	(6,707,377)
20	334	Services	(1,409,855)	(208,613)	-	-	-	-	-	-	(208,613)	(1,618,468)
21	335	Meters	(2,960,896)	(458,532)	-	-	-	-	(7,444)	-	(440,486)	(3,401,292)
22	336	Hydrants	(335,259)	(58,537)	-	-	-	-	-	-	(58,409)	(391,667)
23	339	Backflow Prevention Devices	(15,227)	(3,201)	-	-	-	-	-	-	(3,201)	(18,428)
24	340	Other Plant & Misc Equipment	(85,429)	(21,638)	-	-	-	-	-	-	(22,207)	(107,636)
25	340.1	Office Furniture & Equipment	(239,389)	(46,003)	-	-	-	-	(568)	-	(47,571)	(286,960)
26	340.2	Computers & Software	-	-	(1,093)	-	-	-	-	-	(1,093)	(1,093)
27	341	Transportation Equipment	(200,543)	(43,604)	(5,910)	-	-	-	-	-	(49,514)	(250,057)
28	342	Trailer Equipment	(5,839)	(1,586)	-	-	-	-	-	-	(1,586)	(7,425)
29	343	Trenches, Shop & Garage Equipment	(11,341)	(1,459)	-	-	-	-	-	-	(1,459)	(12,800)
30	344	Laboratory Equipment	(290)	-	-	-	-	-	-	-	-	(290)
31	345	Power Operated Equipment	-	-	-	-	-	-	-	-	-	-
32	346	Communication Equipment	-	-	-	-	-	-	-	-	-	-
33	347	Miscellaneous Equipment	(58,472)	(14,964)	-	-	-	-	-	-	-	-
34	348	Other Tangible Plant	(19,709)	(1,049)	2,474	-	-	-	(498)	-	(15,462)	(73,934)
35		Plant Held for Future Use	-	-	-	-	-	-	(1,895)	-	(271)	(19,980)
		RUCO Accum. Depr. Adjustments	\$ (16,514,085)	\$ (2,475,900)	\$ 25,381	\$ 607	\$ 17,555	\$ -	\$ (91,841)	\$ 21,100	\$ (2,592,369)	\$ (19,016,454)

RUCO Adjustments:
Adjustment No. 1: Accumulated Depreciation ("AD") Per RUCO - See RUCO Schedule RBM-4(b) 2012 Plant Reconstruction Schedule on pages 1-5 at page 5 on line 39;
Adjustment No. 2: Plant Reclassification AD Per RUCO - See RUCO Schedule RBM-4(c) on page 2 of 2, Column [B], on line 35;
Adjustment No. 3: Reclassify A/D of UPIs Invoices from Water to Wastewater Division - See RUCO Schedule RBM-4(d) on page 1 of 1 at line 14;
Adjustment No. 4: Remove Duplicate Invoices - See RUCO Schedule RBM-4(e) on page 1 of 1 at line 8;
Adjustment No. 5: Correct A/D for Truck Retirement - See RUCO Schedule RBM-4(f) on page 1 of 1 at line 6;
Adjustment No. 6: Used Only for Wastewater Division - See RUCO Schedule RBM-4(g) on page 1 of 1 at line 6;
Adjustment No. 7: Used Only for A/D of Late Recorded UPIs Invoices - See RUCO Schedule RBM-4(h) on page 1 of 1, Column [B], at line 35;
Adjustment No. 8: To Correct Company's A/D for Non-Depreciable Account 301 - Organization Cost.

References:
Columns [A]: Company Schedule B-2 on page 4 Adjusted Test Year as Filed
Columns [B]: RUCO Recommended UPIs Adjustments
Columns [J]: Sum of Columns [B] Through [I] - RUCO Sum of Total Recommended UPIs Adjustments

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
TEST YEAR ENDED DECEMBER 31, 2012

NARUC Account No.		Description	Allowed Deprec. Rate	Per Decision 7/20/26			2008 (3 Months - October 1 through December 31, 2008)							Net Plant
Line No.	Account No.			Plant at 9/30/2008	Accum. Deprec. At 9/30/2008	Net Plant at 9/30/2008	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	
1	301	Organization Cost	0.00%	\$ 21,100	\$ -	\$ 21,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,100	\$ -	\$ 21,100
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	1,284,595	-	1,284,595	(367,902)	-	(367,902)	-	-	916,693	-	916,693
4	304	Structures & Improvements	3.33%	24,649,251	(404,869)	24,244,382	(1,026,408)	(20,938)	(1,047,346)	-	200,845	23,601,905	(605,714)	22,996,191
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	-	-	-	-	-	-	-	-	-	-	-
8	308	Infiltration Galleries	6.67%	2,393,491	(631,793)	1,761,697	163	-	163	-	19,926	2,393,653	(651,720)	1,741,933
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	202,269	(56,403)	145,866	-	-	-	-	2,528	202,269	(58,932)	143,337
11	311	Pumping Equipment	12.50%	917,055	(598,038)	319,017	11,723	-	11,723	(420,594)	22,269	508,184	(199,713)	308,471
12	320	Water Treatment Equipment	3.33%	1,337,824	(41,009)	1,296,816	(46,530)	-	(46,530)	-	10,944	1,291,294	(51,953)	1,239,342
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-	-	-	-
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	439,244	(174,417)	264,827	600	-	600	-	2,439	439,844	(176,856)	262,987
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	28,918,695	(3,844,739)	25,073,956	724,203	(10,868)	713,335	-	146,377	29,632,030	(3,991,116)	25,640,914
19	333	Services	3.33%	4,245,838	(900,699)	3,345,139	164,164	(15,625)	148,539	-	35,965	4,394,377	(936,664)	3,457,713
20	334	Meters	8.33%	4,133,092	(1,931,628)	2,201,463	5,723	-	5,723	-	86,131	4,138,815	(2,017,760)	2,121,055
21	335	Hydrants	2.00%	2,055,781	(163,913)	1,891,868	91,012	-	91,012	-	10,506	2,146,793	(174,420)	1,972,373
22	336	Backflow Prevention Devices	6.67%	38,387	(7,546)	30,842	-	-	-	-	640	38,387	(8,186)	30,202
23	339	Other Plant & Misc Equipment	6.67%	259,531	(33,497)	226,034	-	-	-	-	4,328	259,531	(37,825)	221,706
24	340	Office Furniture & Equipment	6.67%	551,757	(124,987)	426,770	-	-	-	-	9,201	551,757	(134,187)	417,570
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	174,415	(83,060)	91,356	-	-	-	-	8,721	174,415	(91,781)	82,635
27	342	Stores Equipment	4.00%	31,711	(1,586)	30,126	-	-	-	-	317	31,711	(1,903)	29,809
28	343	Tools, Shop & Garage Equipment	5.00%	23,350	(7,113)	16,237	-	-	-	-	292	23,350	(7,405)	15,945
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	119,710	(21,730)	97,980	-	-	-	-	2,993	119,710	(24,723)	94,987
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	10.00%	-	-	-	2,475	-	2,475	-	31	2,475	(31)	2,444
34		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-	-	-	-
35		RUCO Total UPIS & Accum. Depre.		\$ 71,797,096	\$ (9,027,027)	\$ 62,770,069	\$ (440,777)	\$ (47,431)	\$ (488,208)	\$ (420,594)	\$ -	\$ 70,888,294	\$ (9,170,887)	\$ 61,717,407

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
TEST YEAR ENDED DECEMBER 31, 2012

NARUC			2009									
Line No.	Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	21,100	\$ -	\$ 21,100
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	92,495	-	92,495	-	-	-	1,009,188	-	1,009,188
4	304	Structures & Improvements	3.33%	1,190,719	(21,984)	1,168,735	-	-	805,403	24,770,640	(1,411,117)	23,359,523
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	501,310	(773)	500,537	-	-	88,043	2,894,190	(739,762)	2,154,428
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	21,214	-	21,214	(35,008)	-	10,113	202,269	(69,045)	133,224
12	320	Water Treatment Equipment	3.33%	2,479	(24,987)	(22,508)	-	-	62,661	494,390	(227,366)	267,024
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	42,625	1,268,786	(94,578)	1,174,208
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	9,765	439,844	(186,621)	253,223
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	1,906,160	(18,664)	1,887,496	-	-	611,516	31,519,527	(4,602,631)	26,916,895
19	333	Services	3.33%	1,580,515	-	1,580,515	-	-	172,648	5,974,892	(1,109,312)	4,865,580
20	334	Meters	8.33%	51,571	-	51,571	-	-	346,911	4,190,386	(2,364,671)	1,825,715
21	335	Hydrants	2.00%	309,661	-	309,661	-	-	46,032	2,456,454	(220,452)	2,236,002
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	2,560	38,387	(10,746)	27,641
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	17,311	259,531	(55,135)	204,395
24	340	Office Furniture & Equipment	20.00%	-	-	-	-	-	36,802	551,757	(170,990)	380,767
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-
27	342	Stores Equipment	4.00%	-	-	-	-	-	34,883	174,415	(126,664)	47,752
28	343	Tools, Shop & Garage Equipment	5.00%	-	-	-	-	-	1,268	31,711	(3,171)	28,540
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	1,168	23,350	(8,573)	14,778
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	11,971	119,710	(36,694)	83,016
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	10.00%	15,420	-	15,420	-	-	1,019	17,895	(1,049)	16,845
34		Plant Held for Future Use		-	-	-	-	-	-	-	-	-
35		RUCO Total UPIS & Accum. Depre.		\$ 5,671,544	\$ (66,408)	\$ 5,605,136	\$ (35,008)	\$ -	\$ 2,302,699	\$ 76,458,422	\$ (11,438,578)	\$ 65,019,844

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
TEST YEAR ENDED DECEMBER 31, 2012

NARUC			2010									
Line No.	Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Net Plant
1	301	Organization Cost	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,100	\$ -	\$ 21,100
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	430,531	(53)	430,478	-	-	-	1,439,666	-	1,439,666
4	304	Structures & Improvements	3.33%	1,284,065	(776)	1,283,289	-	-	846,229	26,053,929	(2,257,346)	23,796,583
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	56,518	-	56,518	-	-	97,318	2,950,708	(837,080)	2,113,628
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	-	-	-	-	-	-	-	-	-
11	311	Pumping Equipment	12.50%	61,729	-	61,729	(20,920)	-	10,113	202,269	(79,159)	123,111
12	320	Water Treatment Equipment	3.33%	353,630	(34)	353,596	-	-	64,349	535,199	(270,795)	264,403
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	48,138	1,622,382	(142,716)	1,479,666
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	-	-	-	-
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	9,765	439,844	(196,385)	243,458
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	1,611,724	(3,139)	1,608,585	-	-	646,476	33,128,111	(5,249,108)	27,879,004
19	333	Services	3.33%	307,502	(207)	307,294	-	-	204,080	6,282,186	(1,313,392)	4,968,794
20	334	Meters	8.33%	167,302	-	167,302	-	-	356,027	4,357,688	(2,720,698)	1,636,990
21	335	Hydrants	2.00%	221,507	-	221,507	-	-	51,344	2,677,961	(271,796)	2,406,164
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	2,560	38,387	(13,307)	25,081
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	17,311	259,531	(72,446)	187,085
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	36,802	551,757	(207,792)	343,965
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	4,845	-	4,845	-	-	35,368	179,260	(162,031)	17,229
27	342	Stores Equipment	4.00%	3,688	-	3,688	-	-	1,342	35,399	(4,513)	30,886
28	343	Tools, Shop & Garage Equipment	5.00%	939	-	939	-	-	1,191	24,289	(9,764)	14,526
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	-	-	-	-	-	11,971	119,710	(48,665)	71,045
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	10.00%	20,924	-	20,924	-	-	2,836	38,819	(3,885)	34,934
34		Plant Held for Future Use		-	-	-	-	-	-	-	-	-
35		RUCO Total UPIS & Accum. Depre.		\$ 4,524,902	\$ (4,209)	\$ 4,520,693	\$ (20,920)	\$ -	\$ 2,443,221	\$ 80,958,195	\$ (13,860,879)	\$ 67,097,316

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
TEST YEAR ENDED DECEMBER 31, 2012

Line No.	NARUC Account No.	Description	Allowed Deprec. Rate	2011					Plant Balance	Accum. Deprec.	Net Plant
				Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Salvage A/D Only			
1	301	Organization Cost	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,100	\$ -	\$ 21,100
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-
3	303	Land and Land Rights	0.00%	8,476	(188)	8,288	-	-	1,447,954	-	1,447,954
4	304	Structures & Improvements	3.33%	549,237	(2,601)	546,636	-	-	26,600,565	(3,134,043)	23,466,522
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	876,697	-	-
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-
7	307	Wells & Springs	3.33%	19,010	(686)	18,324	-	-	2,969,032	(935,644)	2,033,389
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-
10	310	Power Generation Equipment	5.00%	4,596	-	4,596	-	-	206,865	-	206,865
11	311	Pumping Equipment	12.50%	220,561	(3,315)	217,245	(1,327)	-	751,117	(89,387)	117,478
12	320	Water Treatment Equipment	3.33%	28,534	(223)	28,310	-	-	1,650,693	(349,863)	401,254
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	(197,213)	1,453,480
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipes	2.22%	53,676	(1,344)	52,332	-	-	492,176	(206,731)	285,445
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-
18	331	Transmission & Distribution Mains	2.00%	5,388,147	(8,802)	5,379,345	-	-	38,507,456	(5,965,463)	32,541,993
19	333	Services	3.33%	382,109	(944)	381,165	-	-	6,663,351	(1,528,936)	5,134,416
20	334	Meters	8.33%	267,613	(4,811)	262,802	-	-	4,620,489	(3,094,639)	1,525,850
21	335	Hydrants	2.00%	512,885	(573)	512,312	-	-	3,190,273	(330,478)	2,859,794
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	38,387	(15,867)	22,520
23	339	Other Plant & Misc Equipment	6.67%	9,928	-	9,928	-	-	259,531	(89,757)	169,774
24	340	Office Furniture & Equipment	6.67%	-	-	-	-	-	561,685	(244,925)	316,760
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-
26	341	Transportation Equipment	20.00%	26,185	(636)	25,550	-	-	204,810	(200,438)	4,371
27	342	Stores Equipment	4.00%	1,116	-	1,116	-	-	36,515	(5,952)	30,564
28	343	Tools, Shop & Garage Equipment	5.00%	578	-	578	-	-	24,867	(10,993)	13,874
29	344	Laboratory Equipment	10.00%	-	-	-	-	-	-	-	-
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-
31	346	Communication Equipment	10.00%	3,986	(49)	3,937	-	-	123,647	(60,833)	62,814
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-
33	348	Other Tangible Plant	10.00%	44,349	-	44,349	-	-	83,168	(9,985)	73,184
34		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-
35		RUCO Total UPIS & Accum. Depr.		\$ 7,520,985	\$ (24,172)	\$ 7,496,813	\$ (1,327)	\$ -	\$ 88,453,681	\$ (16,471,146)	\$ 71,982,535

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
TEST YEAR ENDED DECEMBER 31, 2012

NARUC		Description	Allowed Deprec. Rate	2012										Net Plant
Line No.	Account No.			Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant	Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.			
1	301	Organization Cost	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,100	\$ -	\$ 21,100		
2	302	Franchise Cost	0.00%	-	-	-	-	-	-	-	-	-		
3	303	Land and Land Rights	0.00%	8,324	-	8,324	-	-	-	1,456,278	-	1,456,278		
4	304	Structures & Improvements	3.33%	1,405,618	(5,268)	1,400,351	-	-	909,115	28,000,916	(4,043,158)	23,957,758		
5	305	Collecting & Impounding Reservoirs	2.50%	-	-	-	-	-	-	-	-	-		
6	306	Lake, River, Canal Intakes	2.50%	-	-	-	-	-	-	-	-	-		
7	307	Wells & Springs	3.33%	142,604	(726)	141,878	(13,565)	-	101,005	3,097,345	(1,023,083)	2,074,261		
8	308	Infiltration Galleries	6.67%	-	-	-	-	-	-	-	-	-		
9	309	Raw Water Supply Mains	2.00%	-	-	-	-	-	-	-	-	-		
10	310	Power Generation Equipment	5.00%	155	-	155	-	-	10,347	207,020	(99,734)	107,286		
11	311	Pumping Equipment	12.50%	147,387	(712)	146,675	-	-	103,057	897,792	(452,920)	444,872		
12	320	Water Treatment Equipment	3.33%	46,116	(50)	46,066	-	-	55,735	1,696,759	(252,948)	1,443,811		
13	320.1	Water Treatment Plants	3.33%	-	-	-	-	-	-	-	-	-		
14	320.2	Solution Chemical Feeders	20.00%	-	-	-	-	-	-	-	-	-		
15	330	Distribution Reservoirs & Standpipes	2.22%	-	-	-	-	-	10,926	492,176	(217,657)	274,519		
16	330.1	Storage Tanks	2.22%	-	-	-	-	-	-	-	-	-		
17	330.2	Pressure Tanks	5.00%	-	-	-	-	-	-	-	-	-		
18	331	Transmission & Distribution Mains	2.00%	1,808,114	(8,947)	1,799,167	(47,578)	-	787,665	40,259,045	(6,705,550)	33,553,495		
19	333	Services	3.33%	(1,200,817)	(1,065)	(1,201,882)	(110,506)	-	200,038	5,350,963	(1,618,468)	3,732,496		
20	334	Meters	8.33%	233,873	(3,333)	230,540	(91,470)	-	390,679	4,759,560	(3,393,848)	1,365,712		
21	335	Hydrants	2.00%	120,585	(2,471)	118,114	(3,631)	-	64,950	3,304,755	(391,798)	2,912,958		
22	336	Backflow Prevention Devices	6.67%	-	-	-	-	-	2,560	38,387	(18,428)	19,960		
23	339	Other Plant & Misc Equipment	6.67%	-	-	-	-	-	17,311	259,531	(107,068)	152,463		
24	340	Office Furniture & Equipment	6.67%	89,413	-	89,413	-	-	40,446	651,098	(285,371)	365,727		
25	340.1	Computers & Software	20.00%	-	-	-	-	-	-	-	-	-		
26	341	Transportation Equipment	20.00%	111,782	(1,468)	110,314	(7,532)	-	51,240	307,592	(244,147)	63,445		
27	342	Stores Equipment	4.00%	628	-	628	-	-	1,473	37,143	(7,425)	29,718		
28	343	Tools, Shop & Garage Equipment	5.00%	22,870	(303)	22,567	-	-	1,808	47,434	(12,800)	34,634		
29	344	Laboratory Equipment	10.00%	5,803	-	5,803	-	-	290	5,803	(290)	5,513		
30	345	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-		
31	346	Communication Equipment	10.00%	4,827	(72)	4,755	-	-	12,602	128,402	(73,436)	54,967		
32	347	Miscellaneous Equipment	10.00%	-	-	-	-	-	-	-	-	-		
33	348	Other Tangible Plant	10.00%	49,143	-	49,143	-	-	10,774	132,312	(20,759)	111,553		
34		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-	-		
35		RUCO Total UPIS & A/D		\$ 2,996,426	\$ (24,414)	\$ 2,972,012	\$ (274,282)	\$ -	\$ 2,772,023	\$ 91,151,411	\$ (18,968,887)	\$ 72,182,524		
36		UPIS Per Company As Filed								91,151,411				
37		RUCO's UPIS Adjustment								\$ -				
38		A/D Per Company Plant Reconstruction Schedule									(16,492,986)			
39		RUCO's (Increase)/Decrease A/D Adjustment								\$ -	\$ (2,475,900)			

**UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENT NO. 2
SUMMARY OF RECLASSIFICATIONS OF UTILITY PLANT IN SERVICE ("UPIS")**

Line No.	Acct. No.	Description	[A] Company UPIS As Filed	[B] RUCO UPIS Reclassification Adjustments	[C] RUCO Recommended UPIS Balances
1	301	Organization Cost	\$ 21,100	\$ -	\$ 21,100
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	1,456,278	-	1,456,278
4	304	Structures & Improvements	28,000,916	(2,786,032)	25,214,884
5	305	Collecting & Impounding Reservoirs	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-
7	307	Wells & Springs	3,097,345	164,878	3,262,222
8	308	Infiltration Galleries	-	-	-
9	309	Raw Water Supply Mains	-	-	-
10	310	Power Generation Equipment	207,020	9,079	216,099
11	311	Pumping Equipment	897,792	(23,666)	874,125
12	320	Water Treatment Equipment	1,696,759	-	1,696,759
13	320.1	Water Treatment Plants	-	1,728,635	1,728,635
14	320.2	Solution Chemical Feeders	-	-	-
15	330	Distribution Reservoirs & Standpipes	492,176	-	492,176
16	330.1	Storage Tanks	-	901,841	901,841
17	330.2	Pressure Tanks	-	-	-
18	331	Transmission & Distribution Mains	40,259,045	-	40,259,045
19	333	Services	5,350,963	-	5,350,963
20	334	Meters	4,759,560	-	4,759,560
21	335	Hydrants	3,304,755	-	3,304,755
22	336	Backflow Prevention Devices	38,387	-	38,387
23	339	Other Plant & Misc Equipment	259,531	-	259,531
24	340	Office Furniture & Equipment	651,098	6,555	657,653
25	340.1	Computers & Software	-	8,443	8,443
26	341	Transportation Equipment	307,592	-	307,592
27	342	Stores Equipment	37,143	-	37,143
28	343	Tools, Shop & Garage Equipment	47,434	-	47,434
29	344	Laboratory Equipment	5,803	-	5,803
30	345	Power Operated Equipment	-	-	-
31	346	Communication Equipment	128,402	-	128,402
32	347	Miscellaneous Equipment	-	-	-
33	348	Other Tangible Plant	132,312	(9,897)	122,414
34		Plant Held for Future Use	-	-	-
35		Totals	\$ 91,151,411	\$ (164)	\$ 91,151,246

References:

Per Company Responses to Staff DR 6.1 thru 6.5

UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 2
SUMMARY OF RECLASSIFICATIONS OF ACCUMULATED DEPRECIATION ("A/D")

Line No.	Acct. No.	Description	[A] Company Accum. Depre. As Filed	[B] RUCO Accum. Depre. Reclassification Adjustments	[C] RUCO Recommended Accum. Depre. Balances
1	301	Organization Cost	\$ (21,100)	\$ -	\$ (21,100)
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	-	-	-
4	304	Structures & Improvements	(3,036,910)	251,726	(2,785,184)
5	305	Collecting & Impounding Reservoirs	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-
7	307	Wells & Springs	(915,114)	(14,624)	(929,738)
8	308	Infiltration Galleries	-	-	-
9	309	Raw Water Supply Mains	-	-	-
10	310	Power Generation Equipment	(87,092)	(681)	(87,773)
11	311	Pumping Equipment	(759,242)	43	(759,200)
12	320	Water Treatment Equipment	(199,379)	-	(199,379)
13	320.1	Water Treatment Plants	-	(145,981)	(145,981)
14	320.2	Solution Chemical Feeders	-	-	-
15	330	Distribution Reservoirs & Standpipes	(205,453)	-	(205,453)
16	330.1	Storage Tanks	-	(59,973)	(59,973)
17	330.2	Pressure Tanks	-	-	-
18	331	Transmission & Distribution Mains	(5,947,658)	-	(5,947,658)
19	333	Services	(1,409,855)	-	(1,409,855)
20	334	Meters	(2,960,806)	-	(2,960,806)
21	335	Hydrants	(335,259)	-	(335,259)
22	336	Backflow Prevention Devices	(15,227)	-	(15,227)
23	339	Other Plant & Misc Equipment	(85,429)	-	(85,429)
24	340	Office Furniture & Equipment	(239,369)	(1,093)	(240,462)
25	340.1	Computers & Software	-	(5,910)	(5,910)
26	341	Transportation Equipment	(200,543)	-	(200,543)
27	342	Stores Equipment	(5,839)	-	(5,839)
28	343	Tools, Shop & Garage Equipment	(11,341)	-	(11,341)
29	344	Laboratory Equipment	(290)	-	(290)
30	345	Power Operated Equipment	-	-	-
31	346	Communication Equipment	(58,472)	-	(58,472)
32	347	Miscellaneous Equipment	-	-	-
33	348	Other Tangible Plant	(19,709)	2,474	(17,235)
34		Plant Held for Future Use	-	-	-
35		Totals	<u>\$ (16,514,086)</u>	<u>\$ 25,981</u>	<u>\$ (16,488,105)</u>

References:

Per Company Responses to Staff DR 6.1 thru 6.5

**UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 3
RECLASSIFY PLANT INVOICES FROM WATER TO WASTEWATER DIVISION**

Line No.	Description	Amount
Maricopa County Environmental Service Department ("MCESD") Permit Fees:		
1	1 Company Recorded Two MCESD Permit Fees to Water Division Account 304 - Structures & Improvements	\$ 6,000
2	RUCO Recommended Removal of Two MCESD Permit Fees from Water Acct. 304	(6,000)
3	RUCO's Adjustment to Remove and Reclassify Two MCESD Permit Fees to Wastewater Division	<u>\$ (6,000)</u>
Adjust Accumulated Depreciation:		
4	2011 Accumulated Depreciation As Filed By Company: Account 304 - Structures & Improvements	\$ 300
5	RUCO Recommended Accumulated Depreciation For Removal and Reclassification of Two MCESD Permit Fees	-
6	RUCO's Adjustment to Remove and Reclassify Two MCESD Permit Fees	<u>\$ 300</u>
Errol L. Montgomery & Associates		
7	2 Company Recorded an Invoice to Water Division Account 304 - Structures & Improvements	\$ 6,156
8	RUCO Recommended Removal of Errol L. Montgomery & Associates from Water Acct. 304	(6,156)
9	RUCO's Adjustment to Remove and Reclassify Errol L. Montgomery & Associates Invoice to Wastewater Division	<u>\$ (6,156)</u>
Adjust Accumulated Depreciation:		
10	2011 Accumulated Depreciation As Filed By Company: Account 304 - Structures & Improvements	\$ 308
11	RUCO Recommended Accumulated Depreciation For Removal and Reclassification of Errol L. Montgomery & Associates Invoice	-
12	RUCO's Adjustment to Remove and Reclassify Errol L. Montgomery & Associates to Wastewater Division	<u>\$ 308</u>
13	Total UPIS Invoices Transferred from Water to Wastewater Division (See Reference Section Below)	<u>\$ (12,156)</u>
14	Total Accumulated Depreciation Associated with Transferred Invoices from Water to Wastewater Division (See Reference Section Below)	<u>\$ 607</u>

References:

- 1 LPSCO Response to Staff DR DH - 4.6
- 2 LPSCO Response to Staff DR DH - 4.7

Litchfield Park Service Company
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and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
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**UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 4
REMOVE DUPLICATE INVOICES OF PLANT ADDITIONS**

Line No.	Description	Amount
	Adjust Plant Additions:	
1	1 2010 Plant Addition As Filed By Company: Account 335 - Hydrants	\$ 221,507
2	RUCO Recommended Plant Addition After Removal of Duplicate Invoice	<u>218,899</u>
3	RUCO's Adjustment to Remove Duplicate Invoice	<u>\$ (2,608)</u>
	Adjust Accumulated Depreciation:	
4	2010 Accumulated Depreciation As Filed By Company: Account 335 - Hydrants	\$ 130
5	RUCO Recommended Accumulated Depreciation For Removal of Duplicate Invoice	<u>-</u>
6	RUCO's Adjustment to Remove Duplicate Invoice	<u>\$ 130</u>
7	Total UPIS Duplicate Invoices to be Removed	<u>\$ (2,608)</u>
8	Total Accumulated Depreciation Associated with Duplicate Invoices to be Removed	<u>\$ 130</u>

References:

- 1 Per Company Response to Staff's Water DR 2.65

**UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 5
RETIREMENT OF TRUCK TRADED-IN ON PURCHASE OF NEW TRUCK**

Line No.	Description	Amount
	Plant (Pickup Truck) Retirement:	
1 1	Company Traded-In a Truck during 2011 Plant (Truck) Addition As Filed By Company: Account 341 - Transportation Equipment	\$ -
2	RUCO Recommended Plant Retirement Related to Trade-In on Purchase of New Truck	<u>(17,555)</u>
3	RUCO's Recommended Increase/(Decrease) Adjustment	<u>\$ (17,555)</u>
	Adjust Accumulated Depreciation for Retirement Reflected Above:	
4	Company Proposed Retirement for Truck Traded-In As Filed	\$ -
5	RUCO Recommended Accumulated Depreciation Adjustment for Cost of Traded-In Truck	<u>17,555</u>
6	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ 17,555</u>

References:

- 1 Per Company Response to RUCO DR 3.02

Litchfield Park Service Company
Docket No. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
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**UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 6
USED ONLY FOR WASTEWATER DIVISION**

Line No.	Description	Amount
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References:

UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 7
ADDITIONAL ACCUMULATED DEPRECIATION ("A/D") FOR LATE RECORDED PLANT ADDITIONS

Line No.	Acct. No.	Description	[A] Company Accum. Depre. As Filed	[B] RUCO Additional Accum. Depre. for Late Recorded UPIS	[C] RUCO Recommended Accum. Depre. Balances
1	301	Organization Cost	\$ (21,100)	\$ -	\$ (21,100)
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	-	-	-
4	304	Structures & Improvements	(3,036,910)	(65,110)	(3,102,020)
5	305	Collecting & Impounding Reservoirs	-	-	-
6	306	Lake, River, Canal Intakes	-	-	-
7	307	Wells & Springs	(915,114)	-	(915,114)
8	308	Infiltration Galleries	-	-	-
9	309	Raw Water Supply Mains	-	-	-
10	310	Power Generation Equipment	(87,092)	-	(87,092)
11	311	Pumping Equipment	(759,242)	(14,698)	(773,941)
12	320	Water Treatment Equipment	(199,379)	-	(199,379)
13	320	Water Treatment Plants	-	-	-
14	320	Solution Chemical Feeders	-	-	-
15	330	Distribution Reservoirs & Standpipes	(205,453)	-	(205,453)
16	330	Storage Tanks	-	-	-
17	330	Pressure Tanks	-	-	-
18	331	Transmission & Distribution Mains	(5,947,658)	(1,827)	(5,949,485)
19	333	Services	(1,409,855)	-	(1,409,855)
20	334	Meters	(2,960,806)	(7,444)	(2,968,250)
21	335	Hydrants	(335,259)	-	(335,259)
22	336	Backflow Prevention Devices	(15,227)	-	(15,227)
23	339	Other Plant & Misc Equipment	(85,429)	(568)	(85,997)
24	340	Office Furniture & Equipment	(239,369)	-	(239,369)
25	340	Computers & Software	-	-	-
26	341	Transportation Equipment	(200,543)	-	(200,543)
27	342	Stores Equipment	(5,839)	-	(5,839)
28	343	Tools, Shop & Garage Equipment	(11,341)	-	(11,341)
29	344	Laboratory Equipment	(290)	-	(290)
30	345	Power Operated Equipment	-	-	-
31	346	Communication Equipment	(58,472)	(498)	(58,970)
32	347	Miscellaneous Equipment	-	-	-
33	348	Other Tangible Plant	(19,709)	(1,695)	(21,405)
34		Plant Held for Future Use	-	-	-
35		Totals	<u>\$ (16,514,086)</u>	<u>\$ (91,841)</u>	<u>\$ (16,605,927)</u>

References:

Per Company Responses to Staff DR 16.1

UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 8
TO CORRECT ACCUMULATED DEPRECIATION FOR A NON-DEPRECIABLE ACCOUNT

Line No.	Description	Amount
To Correct Company's A/D for a Non-Depreciable Account 301 - Organization Cost Reflected on Company Schedule B-2, page 4:		
1	Accumulated Depreciation for Account 301 - Organization Cost As Filed by Company	\$ 21,100
2	Accumulated Depreciation for Account 301 - Organization Cost Per RUCO	-
3	RUCO's Recommended (Increase)/Decrease Adjustment	\$ 21,100

References:
See Company Schedule B-2, page 4

Litchfield Park Service Company
Docket No. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
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**RATE BASE ADJUSTMENT NO. 3
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Line No.	Description	Amount
	Water Division:	
1		\$ -
2		-
3		<u>\$ -</u>
	Wastewater Division:	
4		\$ -
5		-
6		<u>\$ -</u>

References:

RATE BASE ADJUSTMENT NO. 4
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	Description	Amount
<u>Gross CIAC:</u>		
1	Company Gross CIAC as Filed	\$ (7,324,578)
2	RUCO Recommended Gross CIAC	(7,425,812)
3	RUCO Recommended (Increase)/Decrease Adjustment	<u>\$ (101,234)</u>
<u>Accumulated Amortization of CIAC:</u>		
4	Company Accumulated Amortization of CIAC as Filed	1,489,772
5	RUCO Recommended Accumulated Amortization of CIAC	1,285,854
6	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ (203,918)</u>
7	RUCO Net Increase/Decrease Adjustment	<u><u>\$ (305,152)</u></u>

References:

Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See RBM Testimony

RATE BASE ADJUSTMENT NO. 4 (Continued)
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	[A] Gross CIAC Balance at 9/30/2008	[B] Per Decision 7/2006 CIAC Amortization Balance 9/30/2008	[C] CIAC Net Balance 9/30/2008	[D] CIAC Activity	[E] 2008 (3 Months - October 1 through December 31, 2008) CIAC Adjustments	[F] Adjusted CIAC Activity	[G] RUCO Amortization (Calculated)	[H] Gross CIAC Balance at 12/31/2008	[I] Accum. Amortization 12/31/2008
1	303	Land & Land Rights Contributed	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		Current Period Amortization										
3		Accumulated Amortization Balance										
4	307	Wells Contributed	3.33%	-	-	-	-	-	-	-	-	-
5		Current Period Amortization										
6		Accumulated Amortization Balance										
7	311	Pumping Equipment Contributed	12.50%	(15,219)	-	3,605	-	-	-	-	(15,219)	-
8		Current Period Amortization										
9		Accumulated Amortization Balance			18,824	-	-	-	-	476	-	19,300
10	331	Transmission/Distribution Mains Contributed	2.00%	(2,846,725)	-	(2,104,325)	-	-	-	-	(2,846,725)	-
11		Current Period Amortization										
12		Accumulated Amortization Balance			742,400	-	-	-	-	14,234	-	756,634
13	333	Services Contributed	3.33%	(151,402)	-	(114,679)	-	-	-	-	(151,402)	-
14		Current Period Amortization										
15		Accumulated Amortization Balance			36,723	-	-	-	-	1,260	-	37,983
16	334	Meters Contributed	8.33%	(29,899)	-	(191)	-	-	-	-	(29,899)	-
17		Current Period Amortization										
18		Accumulated Amortization Balance			29,708	-	-	-	-	(191)	-	29,899
19	335	Hydrants	2.00%	(52,935)	-	(19,884)	-	-	-	-	(52,935)	-
20		Current Period Amortization										
21		Accumulated Amortization Balance			33,051	-	-	-	-	265	-	33,316
22		RUCO Gross CIAC & Amortizations										
23		Company As Filed										
24		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments										
				\$ (3,096,180)	\$ 860,706	\$ (2,235,474)	\$ -	\$ -	\$ -	\$ 16,044	\$ (3,096,180)	\$ 877,131
				\$ 3,096,180	\$ (860,706)	\$ 2,235,474	\$ -	\$ -	\$ -	\$ (63,226)	\$ 3,096,180	\$ (923,932)
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (47,182)	\$ -	\$ (46,801)

References:
Company Response to Staff DR JMM 2.23
Company Schedule B-2, pages 5.1 - 5.3
See RBM Testimony

RATE BASE ADJUSTMENT NO. 4 (Continued)
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	2009							Accum. Amortization 12/31/2009
				[A] Beginning Gross CIAC 1/1/2009	[B] Beginning Amortization Balance 1/1/2009	[C] CIAC Activity	[D] CIAC Adjustments	[E] Adjusted CIAC Activity	[F] RUCO Amortization (Calculated)	[G] Gross CIAC Balance at 12/31/2009	
1	303	Land & Land Rights Contributed	0.00%	\$ -	\$ -	\$ (92,495)	\$ -	\$ (92,495)	\$ -	\$ (92,495)	\$ -
2		Current Period Amortization									
3		Accumulated Amortization Balance									
4	307	Wells Contributed	3.33%	-	-	(499,000)	-	(499,000)	-	\$ (499,000)	-
5		Current Period Amortization									
6		Accumulated Amortization Balance							8,308		8,308
7	311	Pumping Equipment Contributed	12.50%	(15,219)	-	-	-	-	-	(15,219)	-
8		Current Period Amortization									
9		Accumulated Amortization Balance		19,300					1,902		21,202
10	331	Transmission/Distribution Mains Contributed	2.00%	(2,846,725)	-	-	-	-	-	(2,846,725)	-
11		Current Period Amortization									
12		Accumulated Amortization Balance		756,634					56,935		813,568
13	333	Services Contributed	3.33%	(151,402)	-	(448,505)	-	(448,505)	-	(599,907)	-
14		Current Period Amortization									
15		Accumulated Amortization Balance		37,983					12,509		50,492
16	334	Meters Contributed	8.33%	(29,899)	-	-	-	-	-	(29,899)	-
17		Current Period Amortization									
18		Accumulated Amortization Balance		29,899							29,899
19	335	Hydrants	2.00%	(52,935)	-	-	-	-	-	(52,935)	-
20		Current Period Amortization									
21		Accumulated Amortization Balance		33,316					1,059		34,375
22		RUCO Gross CIAC & Amortizations		\$ (3,096,180)	\$ 877,131	\$ (1,040,000)	\$ -	\$ (1,040,000)	\$ 80,713	\$ (4,136,180)	\$ 957,844
23		Company As Filed		\$ 3,096,180	\$ (923,932)	\$ 1,040,000	\$ -	\$ 1,040,000	\$ (103,592)	\$ 4,136,180	\$ (1,027,524)
24		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ -	\$ 1,801,063	\$ -	\$ -	\$ -	\$ (22,879)	\$ -	\$ (69,680)

References:
Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See RBM Testimony

RATE BASE ADJUSTMENT NO. 4 (Continued)
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	[A] Beginning Gross CIAC 1/1/2010	[B] Beginning Amortization Balance 1/1/2010	[C] CIAC Activity	[D] 2010 CIAC Adjustments	[E] Adjusted CIAC Activity	[F] RUCO Amortization (Calculated)	[G] Gross CIAC Balance at 12/31/2010	[H] Accum. Amortization 12/31/2010
1	303	Land & Land Rights Contributed	0.00%	\$ (92,495)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (92,495)	\$ -
2		Current Period Amortization									
3		Accumulated Amortization Balance									
4	307	Wells Contributed	3.33%	(499,000)	-	-	-	-	-	\$ (499,000)	-
5		Current Period Amortization									
6		Accumulated Amortization Balance			8,308				16,617		24,925
7	311	Pumping Equipment Contributed	12.50%	(15,219)	-	-	-	-	-	(15,219)	-
8		Current Period Amortization									
9		Accumulated Amortization Balance			21,202				1,902		23,104
10	331	Transmission/Distribution Mains Contributed	2.00%	(2,846,725)	-	-	-	-	-	(2,846,725)	-
11		Current Period Amortization									
12		Accumulated Amortization Balance			813,568				56,935		870,503
13	333	Services Contributed	3.33%	(599,907)	-	-	-	-	-	(599,907)	-
14		Current Period Amortization									
15		Accumulated Amortization Balance			50,492				19,977		70,469
16	334	Meters Contributed	8.33%	(29,899)	-	-	-	-	-	(29,899)	-
17		Current Period Amortization									
18		Accumulated Amortization Balance			29,899				-		29,899
19	335	Hydrants	2.00%	(52,935)	-	-	-	-	-	(52,935)	-
20		Current Period Amortization									
21		Accumulated Amortization Balance			34,375				1,059		35,433
22		RUCO Gross CIAC & Amortizations		\$ (4,136,180)	\$ 957,944	\$ -	\$ -	\$ -	\$ 96,489	\$ (4,136,180)	\$ 1,054,334
23		Company As Filed		\$ 4,136,180	\$ (1,027,524)	\$ -	\$ -	\$ -	\$ (142,247)	\$ 4,136,180	\$ (1,169,772)
24		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ -	\$ 1,985,369	\$ -	\$ -	\$ -	\$ (45,758)	\$ -	\$ (115,438)

References:
Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See RBM Testimony

RATE BASE ADJUSTMENT NO. 4 (Continued)
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	Beginning Gross CIAC 1/1/2011	Beginning Amortization Balance 1/1/2011	CIAC Activity	CIAC Adjustments	Adjusted CIAC Activity	RUCO Amortization (Calculated)	Gross CIAC Balance at 12/31/2011	Accum. Amortization 12/31/2011
1	303	Land & Land Rights Contributed	0.00%	\$ (92,495)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (92,495)	\$ -
2		Current Period Amortization									
3		Accumulated Amortization Balance									
4	307	Wells Contributed	3.33%	(499,000)	-	-	-	-	-	\$ (499,000)	-
5		Current Period Amortization									
6		Accumulated Amortization Balance			24,925				16,617		41,542
7	311	Pumping Equipment Contributed	12.50%	(15,219)	-	(25,353)	-	(25,353)	-	(40,572)	-
8		Current Period Amortization									
9		Accumulated Amortization Balance			23,104				3,487		26,591
10	331	Transmission/Distribution Mains Contributed	2.00%	(2,846,725)	-	-	-	-	-	(2,846,725)	-
11		Current Period Amortization									
12		Accumulated Amortization Balance			870,503				56,935		927,437
13	333	Services Contributed	3.33%	(595,907)	-	-	-	-	-	(595,907)	-
14		Current Period Amortization									
15		Accumulated Amortization Balance			70,469				19,977		90,446
16	334	Meters Contributed	8.33%	(29,899)	-	-	-	-	-	(29,899)	-
17		Current Period Amortization									
18		Accumulated Amortization Balance			29,899				-		29,899
19	335	Hydrants	2.00%	(52,935)	-	-	-	-	-	(52,935)	-
20		Current Period Amortization									
21		Accumulated Amortization Balance			35,433				1,059		36,492
22		RUCO Gross CIAC & Amortizations		\$ (4,136,180)	\$ 1,054,334	\$ (25,353)	\$ -	\$ (25,353)	\$ 98,074	\$ (4,161,533)	\$ 1,152,407
23		Company As Filed		\$ 4,136,180	\$ (1,169,772)	\$ (75,881)	\$ -	\$ (75,881)	\$ (142,820)	\$ 4,060,299	\$ (1,312,591)
24		RUCO Gross CIAC (Increase/Decrease) & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ -	\$ 2,224,105	\$ (101,234)	\$ -	\$ (101,234)	\$ (44,746)	\$ (101,234)	\$ (160,184)

References:
Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See RBM Testimony

RATE BASE ADJUSTMENT NO. 4 (Continued)
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	[A] Beginning Gross CIAC 1/1/2012	[B] Beginning Amortization Balance 1/1/2012	[C] CIAC Activity	[D] CIAC Adjustments	[E] Adjusted CIAC Activity	[F] RUCO Amortization (Calculated)	[G] Gross CIAC Balance at 12/31/2012	[H] Accum. Amortization 12/31/2012
1	303	Land & Land Rights Contributed	0.00%	\$ (92,495)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (92,495)	\$ -
2		Current Period Amortization									
3		Accumulated Amortization Balance									
4	307	Wells Contributed	3.33%	(499,000)	-	-	-	-	-	\$ (499,000)	-
5		Current Period Amortization									
6		Accumulated Amortization Balance			41,542				16,617		58,158
7	311	Pumping Equipment Contributed	12.50%	(40,572)	-	-	-	-	-	(40,572)	-
8		Current Period Amortization									
9		Accumulated Amortization Balance			26,591				5,071		31,663
10	331	Transmission/Distribution Mains Contributed	2.00%	(2,846,725)	-	(3,046,493)	-	(3,046,493)	-	(5,893,218)	-
11		Current Period Amortization									
12		Accumulated Amortization Balance			927,437				87,399		1,014,837
13	333	Services Contributed	3.33%	(599,907)	-	(172,302)	-	(172,302)	-	(772,209)	-
14		Current Period Amortization									
15		Accumulated Amortization Balance			90,446				22,846		113,292
16	334	Meters Contributed	8.33%	(29,899)	-	-	-	-	-	(29,899)	-
17		Current Period Amortization									
18		Accumulated Amortization Balance			29,899				-		29,899
19	335	Hydrants	2.00%	(52,935)	-	(45,484)	-	(45,484)	-	(98,419)	-
20		Current Period Amortization									
21		Accumulated Amortization Balance			36,492				1,514		38,006
22		RUCO Gross CIAC & Amortizations		\$ (4,161,533)	\$ 1,152,407	\$ (3,264,279)	\$ -	\$ (3,264,279)	\$ 133,447	\$ (7,425,612)	\$ 1,285,854
23		Company As Filed		\$ 4,060,299	\$ (1,312,591)	\$ 3,264,279	\$ -	\$ 3,264,279	\$ (177,180)	\$ 7,324,578	\$ (1,489,772)
24		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ 101,234	\$ 2,464,999	\$ -	\$ -	\$ -	\$ (43,734)	\$ (101,234)	\$ (203,918)

References:
Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See TJC Testimony

**RATE BASE ADJUSTMENT NO. 5
CUSTOMER METER DEPOSITS**

Line No.	Description	Amount
Water Division:		
1	1 & 2 Customer Meter Deposits As Filed by Company	\$ (1,271,802)
2	RUCO Recommended 13-Month Average - Meter Deposits	<u>(1,432,787)</u>
3	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ (160,986)</u>
Wastewater Division:		
4	1 & 2 Customer Meter Deposits As Filed by Company	\$ (95,892)
5	RUCO Recommended 13-Month Average - Meter Deposits	<u>(81,661)</u>
6	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ 14,231</u>

References:

- 1 & 2** Per Company Response to RUCO DRs' 3.06 through 3.10
1 & 2 Per Company Response to Staff's DR 2.68

**RATE BASE ADJUSTMENT NO. 6
CUSTOMER SECURITY DEPOSITS**

Line No.	Description	Amount
Water Division:		
1	1 & 2 Customer Security Deposits As Filed by Company	\$ (140,147)
2	RUCO Recommended 13-Month Average - Customer Security Deposits	<u>(147,932)</u>
3	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ (7,785)</u>
Wastewater Division:		
4	1 & 2 Customer Security Deposits As Filed by Company	\$ (155,440)
5	RUCO Recommended 13-Month Average - Customer Security Deposits	<u>(163,504)</u>
6	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ (8,063)</u>

References:

- 1 & 2 Per Company Response to RUCO DRs' 3.06 through 3.10
1 & 2 Per Company Response to Staff's DR 2.68

Litchfield Park Service Company
Docket No. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
Direct Schedule RBM-9
Page 1 of 1

**RATE BASE ADJUSTMENT NO. 7
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Line No.	Description	Amount
	Water Division:	
1		\$ -
2		-
3		\$ -
	Wastewater Division:	
4		\$ -
5		-
6		\$ -

References:

Litchfield Park Service Company
Docket No. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
Direct Schedule RBM-10
Page 1 of 1

**RATE BASE ADJUSTMENT NO. 8
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Line No.	Description	Amount
	Water Division:	
1		\$ -
2		-
3		<u>\$ -</u>
	Wastewater Division:	
4		\$ -
5		-
6		<u>\$ -</u>

References:

RATE BASE ADJUSTMENT NO. 9
ACCUMULATED DEFERRED INCOME TAX ("ADIT")

Line No.	<u>Deferred Income Tax as of December 31, 2012</u>				Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset		Future Tax Liability	
	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value						Current	Non Current	Current	Non Current
1	Plant-in-Service	\$ 161,842,911 ¹									
2	Accum. Deprec.	(32,314,523) ¹									
3	CIAC	(59,777,267) ³									
4	Federal Fixed Assets	\$ 69,751,120	\$ 47,269,626 ²		100.0%	\$ (22,481,494)	31.79%		-		(7,146,867)
5	State Fixed Assets	\$ 69,751,120	\$ 73,927,914 ²		100.0%	\$ 4,176,794	6.50%		271,492		-
6	Fed & State AIAC		14,120,318 ⁴		100.0%	\$ 14,120,318 ⁴	38.29%	\$ 5,406,670			
								\$ -	\$ 5,678,161	\$ -	\$ (7,146,867)
7	Net Asset (Liability)							\$ (1,468,706)			
8	Allocation Factor - Water-Division (based on rate base before ADIT)							0.5809			
9	Net Asset (Liability) Water Division							\$ (853,134)			
10	Adjusted Test Year DIT Asset (Liability) as Filed							\$ (1,459,075)			
11	Adjustment to DIT							\$ 605,941			

Footnotes - See Next Page

RATE BASE ADJUSTMENT NO. 9 (Continued)
ACCUMULATED DEFERRED INCOME TAX ("ADIT")

Line
No.

¹ Per adjusted book balances

² Computation of Net Tax Value December 31, 2012

Based on 2012 Tax Depreciation report (December 31, 2012)

1	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report
2	Reconciling Items not on tax report:
3	Land on Tax and not on included in adjusted plant balance
4	FA Accrual on not on tax report
5	Proposed Plant retirements
6	Post Test Year plant
7	Post Test Year Plant Retirement
8	Net Unadjusted Cost tax Basis at December 31, 2012

FEDERAL	STATE
\$ 85,943,311	\$ 84,887,919
(1,055,392)	-
6,391,333	6,391,333
(1,712,539)	(1,712,539)
1,000,000	1,000,000
(300,000)	(300,000)
\$ 90,266,713	\$ 90,266,713
\$ (25,331,094)	\$ -
(19,678,532)	(18,351,338)
1,712,539	1,712,539
300,000	300,000
(42,997,087)	(16,338,799)
\$ 47,269,626	\$ 73,927,914

Reductions

9	Basis Reduction 2012 and Prior Years per federal and state tax depr. report
10	Accumulated Depreciation 2012 and prior per federal and state tax depr. report
11	Proposed Plant Retirements
12	Post Test Year retirement

13	Net Reductions through December 31, 2012
14	Net tax value of plant-in-service at December 31, 2012

³ CIAC (including impact of change to probability of realization)

15	Gross CIAC per adjusted book balances	\$ 35,802,727
16	CIAC reductions/additions	
17	A.A per adjusted book balances	\$ (5,439,154)
18	Net CIAC before unrealized AIAC	\$ 30,363,572
19	Unrealized AIAC Component	
20	Adjusted Net AIAC (see footnote 4 below)	\$ 42,019,564
21	Unrealized AIAC Component % (1-Realized AIAC Component)	70.0%
22	Total realizable CIAC	\$ 29,413,695
		\$ 59,777,267

⁴ AIAC (including impact of change in probability of realization)

23	AIAC per adjusted book balances	\$ 42,019,564
24	AIAC reductions/additions	
25	Net AIAC before unrealized portion	\$ 42,019,564
26	Less: Unrealized AIAC (from Note 3, above)	\$ (29,413,695)
27	Net realizable AIAC	\$ 12,605,869
28	Meter and Service Line Installation Charges per adjusted book balances	1,514,449
29	Total Realizable AIAC	\$ 14,120,318

**RATE BASE ADJUSTMENT NO. 10
REGULATORY ASSET - TCE PLUME**

Line No.	Description	Amount
	Water Division:	
1	TCE Plume Balance Per Company	\$ 90,381
2	TCE Plume Balance Per RUCO (See Amortization Note 1 Below for RUCO's Calculations)	1 91,069
3	RUCO Adjustment	\$ 688

Amortization Note 1: RUCO's Amortization Calculations

Regulatory Asset - TCE Plume Authorized in Decision No. 72026 (Amortized Over 10-Years)	\$ 82,561
Amortization for December 2010 (No Approval by Commission for Further Additional Amortization)	(688)
Amortization for Year 2011 (No Approval by Commission for Further Additional Amortization)	(8,256)
Amortization for Year 2012 (No Approval by Commission for Further Additional Amortization)	(8,256)
Balance at Test-Year End (Amortized as Authorized in Decision No. 72026)	\$ 65,361
Company Proposed Cost Additions Incurred (See Response to Staff DR 13-2) Since Decision No. 72026	25,708
Regulatory Asset - TCE Plume Balance at Test-Year End and Allowing the Add'l. Costs Going-Forward	1 \$ 91,069

References:

Company Responses to Staff DR 13.1 and 13.2

OPERATING INCOME SUMMARY

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] RUCO Recommended Adjustments	[C] RUCO Recommended Adjusted Test Year Amounts	[D] RUCO Recommended Changes	[E] RUCO Recommended Amounts
Revenues:						
1	Metered Water Revenues	\$ 10,965,667	\$ 58,703	\$ 11,024,370	\$ 1,111,850	\$ 12,136,220
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	235,723	-	235,723	-	235,723
4	Total Revenues	\$ 11,201,390	\$ 58,703	\$ 11,260,093	\$ 1,111,850	\$ 12,371,943
Operating Expenses:						
5	Salaries and Wages	\$ 1,069,839	\$ (62,199)	\$ 1,007,640	\$ -	\$ 1,007,640
6	Purchased Water	2,615	-	2,615	-	2,615
7	Purchased Power	903,527	(41)	903,486	-	903,486
8	Fuel For Power Production	-	-	-	-	-
9	Chemicals	208,080	-	208,080	-	208,080
10	Materials and Supplies	91,139	-	91,139	-	91,139
11	Management Services - US Liberty Water	1,260,835	(123,549)	1,137,286	-	1,137,286
12	Management Services - Corporate	781,023	(132,530)	648,493	-	648,493
13	Management Services - Other	-	-	-	-	-
14	Outside Services - Accounting	9,271	-	9,271	-	9,271
15	Outside Services - Engineering	-	-	-	-	-
16	Outside Services- Other	103,412	-	103,412	-	103,412
17	Outside Services- Legal	19,865	-	19,865	-	19,865
18	Water Testing	66,942	(22,062)	44,880	-	44,880
19	Rents - Building	-	-	-	-	-
20	Rents - Equipment	7,229	-	7,229	-	7,229
21	Transportation Expenses	103,726	-	103,726	-	103,726
22	Insurance - General Liability	88,374	-	88,374	-	88,374
23	Insurance - Vehicle	20,825	-	20,825	-	20,825
24	Reg. Comm. Exp. - Other	19,721	-	19,721	-	19,721
25	Reg. Comm. Exp. - Rate Case	65,800	-	65,800	-	65,800
26	Miscellaneous Expense	151,237	(11,260)	139,977	-	139,977
27	Bad Debt Expense	(76)	21,216	21,140	-	21,140
28	Depreciation and Amortization Expense	2,615,868	28,697	2,644,565	-	2,644,565
29	Taxes Other Than Income	-	-	-	-	-
30	Property Taxes	559,128	(24,121)	535,007	17,659	552,666
31	Income Tax	1,028,634	149,026	1,177,660	418,966	1,596,626
32	Total Operating Expenses	\$ 9,177,014	\$ (176,822)	\$ 9,000,192	\$ 436,625	\$ 9,436,817
33	Operating Income (Loss)	\$ 2,024,376	\$ 235,525	\$ 2,259,901	\$ 675,225	\$ 2,935,126

References:

Column [A]: Company Schedule C-1;
Column [B]: RUCO Recommended Total Adjustments Per Schedule RBM-14 on pages 1-2 at page 2 in Column [S] at line 33;
Column [C]: Column [A] + [B] - RUCO Recommended Adjusted Test Year Amounts Per Schedule RBM-14 on page 2 of 2 in Column [T];
Column [D]: RUCO Recommended Increase/(Decrease) to Revenue Requirement;
Column [E]: Column [C] + [D] - RUCO Recommended Increase/(Decrease) Amounts for Revenue Requirement.

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] Adj. No. 1 Depreciation Expense	[C] Adj. No. 2 Property Taxes	[D] Adj. No. 3 Used for Wastewater Only	[E] Adj. No. 4 Revenue Accrual Fix	[F] Adj. No. 5 Reverse Declining Usage	[G] Adj. No. 6 Water Testing	[H] Adj. No. 7 Intentionally Left Blank	[I] Adj. No. 8 Employee Pension Benefits	[J] Adj. No. 9 Intentionally Left Blank
Revenues:											
1	Metered Water Revenues	\$ 10,965,667	\$ -	\$ -	\$ -	\$ -	\$ 58,703	\$ -	\$ -	\$ -	\$ -
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	235,723	-	-	-	-	-	-	-	-	-
4	Total Revenues	\$ 11,201,390	\$ -	\$ -	\$ -	\$ -	\$ 58,703	\$ -	\$ -	\$ -	\$ -
Operating Expenses											
5	Salaries and Wages	\$ 1,069,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (62,199)	\$ -
6	Purchased Water	2,615	-	-	-	-	-	-	-	-	-
7	Purchased Power	903,527	-	-	-	-	(41)	-	-	-	-
8	Fuel For Power Production	-	-	-	-	-	-	-	-	-	-
9	Chemicals	-	-	-	-	-	-	-	-	-	-
10	Materials and Supplies	208,080	-	-	-	-	-	-	-	-	-
11	Management Services - US Liberty Water	91,139	-	-	-	-	-	-	-	-	-
12	Management Services - Corporate	1,260,835	-	-	-	-	-	-	-	-	-
13	Management Services - Other	781,023	-	-	-	-	-	-	-	-	-
14	Outside Services - Accounting	9,271	-	-	-	-	-	-	-	-	-
15	Outside Services - Engineering	103,412	-	-	-	-	-	-	-	-	-
16	Outside Services - Other	19,865	-	-	-	-	-	-	-	-	-
17	Outside Services- Legal	66,942	-	-	-	-	-	-	-	-	-
18	Water Testing	-	-	-	-	-	-	(22,062)	-	-	-
19	Rents - Building	-	-	-	-	-	-	-	-	-	-
20	Rents - Equipment	7,229	-	-	-	-	-	-	-	-	-
21	Transportation Expenses	103,726	-	-	-	-	-	-	-	-	-
22	Insurance - General Liability	88,374	-	-	-	-	-	-	-	-	-
23	Insurance - Vehicle	20,825	-	-	-	-	-	-	-	-	-
24	Reg. Comm. Exp. - Other	19,721	-	-	-	-	-	-	-	-	-
25	Reg. Comm. Exp. - Rate Case	65,800	-	-	-	-	-	-	-	-	-
26	Miscellaneous Expense	151,237	-	-	-	-	-	-	-	-	-
27	Bad Debt Expense	(76)	-	-	-	-	-	-	-	-	-
28	Depreciation and Amortization Expense	2,615,868	28,697	-	-	-	-	-	-	-	-
29	Taxes Other Than Income	-	-	(24,121)	-	-	-	-	-	-	-
30	Property Taxes	559,128	-	-	-	-	-	-	-	-	-
31	Income Tax	1,028,634	-	-	-	-	-	-	-	-	-
32	Total Operating Expenses	\$ 9,177,014	\$ 28,697	\$ (24,121)	\$ -	\$ -	\$ (41)	\$ (22,062)	\$ -	\$ (62,199)	\$ -
33	Operating Income	\$ 2,024,376	\$ (28,697)	\$ 24,121	\$ -	\$ -	\$ 58,744	\$ 22,062	\$ -	\$ 62,199	\$ -

Adjustments:

Adjustment No. 1: Depreciation Expense - See RUCO Schedule RBM-15 in Column [C] at line 43;
Adjustment No. 2: Property Taxes - See RUCO Schedule RBM-16 in Column [A] at line 18;
Adjustment No. 3: Used for Wastewater Division Only;
Adjustment No. 4: Revenue Accrual Fix - See RUCO Schedule RBM-18;
Adjustment No. 5: Reverse Company's Declining Usage Adjustment Components - See RUCO Schedule RBM-19;
Adjustment No. 6: Water Testing Expense - See RUCO Schedule RBM-20 at line 3;
Adjustment No. 7: Intentionally Left Blank;
Adjustment No. 8: Employee Pension Benefit Plan - See RUCO Schedule RBM-22 at line 3;
Adjustment No. 9: Intentionally Left Blank

References:

Column [A]: Company Schedule C-1 Adjusted Test Year as Filed;
Column [B] through [J]: RUCO Recommended Adjusted Test Year Adjustments;

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	[K] Adj. No. 10 US Liberty Utilities Add'l. Reductions	[L] Adj. No. 11 Allocate Bad Debt Expense	[M] Adj. No. 12 Intentionally Left Blank	[N] Adj. No. 13 Corporate Cost Allocations	[O] Adj. No. 14 Achievement/ Incentive/Bonus Pay Allocations	[P] Adj. No. 15 Miscellaneous Expense	[Q] Adj. No. 16 Customer Deposit Interest Expense	[R] Adj. No. 17 Income Taxes	[S] Total RUCO Adjustments Recommended	[T] RUCO Adjusted Test Year Recommended
Revenues:											
1	Metered Water Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,703	\$ 11,024,370
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	-	-	-	-	-	-	-	-	-	-
4	Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,703	\$ 11,024,370
Operating Expenses											
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (62,199)	\$ 1,007,640
6	Purchased Water	-	-	-	-	-	-	-	-	-	2,615
7	Purchased Power	-	-	-	-	-	-	-	-	(41)	903,486
8	Fuel For Power Production	-	-	-	-	-	-	-	-	-	-
9	Chemicals	-	-	-	-	-	-	-	-	-	208,080
10	Materials and Supplies	-	-	-	-	-	-	-	-	-	91,139
11	Management Services - US Liberty Water	(1,829)	-	-	-	(121,720)	-	-	-	(123,549)	1,137,286
12	Management Services - Corporate	-	-	-	(115,363)	(17,167)	-	-	-	(132,530)	648,493
13	Management Services - Other	-	-	-	-	-	-	-	-	-	-
14	Outside Services - Accounting	-	-	-	-	-	-	-	-	-	9,271
15	Outside Services - Engineering	-	-	-	-	-	-	-	-	-	103,412
16	Outside Services- Other	-	-	-	-	-	-	-	-	-	19,865
17	Outside Services- Legal	-	-	-	-	-	-	-	-	(22,062)	44,860
18	Water Testing	-	-	-	-	-	-	-	-	-	-
19	Rents - Building	-	-	-	-	-	-	-	-	-	7,229
20	Rents - Equipment	-	-	-	-	-	-	-	-	-	103,726
21	Transportation Expenses	-	-	-	-	-	-	-	-	-	88,374
22	Insurance - General Liability	-	-	-	-	-	-	-	-	-	20,825
23	Insurance - Vehicle	-	-	-	-	-	-	-	-	-	19,721
24	Reg. Comm. Exp. - Other	-	-	-	-	-	-	-	-	-	65,800
25	Reg. Comm. Exp. - Rate Case	-	-	-	-	-	-	-	-	-	139,977
26	Miscellaneous Expense	-	-	-	-	-	(18,108)	-	-	(11,260)	21,140
27	Bad Debt Expense	-	21,216	-	-	-	-	4,848	-	28,697	2,644,565
28	Depreciation and Amortization Expense	-	-	-	-	-	-	-	-	-	-
29	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-
30	Property Taxes	-	-	-	-	-	-	-	-	(24,121)	535,007
31	Income Tax	-	-	-	-	-	-	-	149,026	149,026	1,177,660
32	Total Operating Expenses	\$ (1,829)	\$ 21,216	\$ -	\$ (115,363)	\$ (138,887)	\$ (18,108)	\$ 4,848	\$ 149,026	\$ (176,822)	\$ 9,000,192
33	Operating Income	\$ 1,829	\$ (21,216)	\$ -	\$ 115,363	\$ 138,887	\$ 18,108	\$ (4,848)	\$ (149,026)	\$ 235,525	\$ 2,259,901

Adjustments:

Adjustment No. 10: Additional Adjustments to US Liberty Utilities - See RUCO Schedule RBM-24 at line 3;
Adjustment No. 11: Allocate Bad Debt Expense - See RUCO Schedule RBM-25 at line 5;
Adjustment No. 12: Intentionally Left Blank;
Adjustment No. 13: APUC Corporate Cost Allocations - See RUCO Schedule RBM-27 in Col. [K] at line 25.

Adjustment No. 14: Achievement/Incentive/Bonus Pay Adjustments - See RUCO Schedule RBM-28 at lines 6 + 9;
Adjustment No. 15: Miscellaneous Expense Adjustments - See RUCO Schedule RBM-29;
Adjustment No. 16: Customer Security Deposit Interest Expense - See RUCO Schedule RBM-30 at line 3;
Adjustment No. 17: Income Taxes - See RUCO Schedule RBM-31 in Column [A] at line 3.

References:

Column [K] thru [R]: RUCO Recommended Adjusted Test Year Adjustments;
Column [S]: RUCO Total Adjusted Test Year Adjustments on Schedule JLK-14 page 1 of 2 in Columns [B] thru Schedule JLK-14 page 2 of 2 in Columns [K] thru [R];
Column [T]: Column [A] on Schedule JLK-14 at page 1 of 2 + Column [S] on Schedule JLK-14 page 2 of 2 - RUCO Recommended Adjusted Test Year Balances.

OPERATING INCOME ADJUSTMENT NO. 1
DEPRECIATION EXPENSE

Line No.	NARUC Account	Description	[A] RUCO UPIS Recommended	[B] Authorized Depreciation Rate	[C] RUCO Depreciation Expense Going Forward
1	301	Organization Cost	\$ 21,100	0.00%	\$ -
2	302	Franchise Cost	-	0.00%	-
3	303	Land and Land Rights	1,456,278	0.00%	-
4	304	Structures & Improvements	25,202,728	3.33%	839,251
5	305	Collecting & Impounding Reservoirs	-	2.50%	-
6	306	Lake, River, Canal Intakes	-	2.50%	-
7	307	Wells & Springs	3,262,222	3.33%	108,632
8	308	Infiltration Galleries	-	6.67%	-
9	309	Raw Water Supply Mains	-	2.00%	-
10	310	Power Generation Equipment	216,099	5.00%	10,805
11	311	Pumping Equipment	874,125	12.50%	109,266
12	320	Water Treatment Equipment	1,696,759	3.33%	56,502
13	320.1	Water Treatment Plants	1,728,635	3.33%	57,564
14	320.2	Solution Chemical Feeders	-	20.00%	-
15	330	Distribution Reservoirs & Standpipes	492,176	2.22%	10,926
16	330.1	Storage Tanks	901,841	2.22%	20,021
17	330.2	Pressure Tanks	-	5.00%	-
18	331	Transmission & Distribution Mains	40,259,045	2.00%	805,181
19	333	Services	5,350,963	3.33%	178,187
20	334	Meters	4,759,560	8.33%	396,471
21	335	Hydrants	3,302,148	2.00%	66,043
22	336	Backflow Prevention Devices	38,387	6.67%	2,560
23	339	Other Plant & Misc Equipment	259,531	6.67%	17,311
24	340	Office Furniture & Equipment	657,653	6.67%	43,865
25	340.1	Computers & Software	8,443	20.00%	1,689
26	341	Transportation Equipment	290,037	20.00%	58,007
27	342	Stores Equipment	37,143	4.00%	1,486
28	343	Tools, Shop & Garage Equipment	47,434	5.00%	2,372
29	344	Laboratory Equipment	5,803	10.00%	580
30	345	Power Operated Equipment	-	5.00%	-
31	346	Communication Equipment	128,402	10.00%	12,840
32	347	Miscellaneous Equipment	-	10.00%	-
33	348	Other Tangible Plant	122,414	10.00%	12,241
			<u>\$ 91,118,928</u>		<u>\$ 2,811,800</u>

Less: Amortization of Contributions ("CIAC")

Account No.	Description	Gross CIAC	CIAC Account Specific Amortization Rate	
34	303 Land and Land Rights	\$ (92,495)	0.00%	\$ -
35	307 Wells	(499,000)	3.33%	(16,617)
36	311 Pumping Equipment	(40,572)	12.50%	(5,071)
37	331 Transmission & Distribution Mains	(5,893,218)	2.00%	(117,864)
38	333 Services	(772,209)	3.33%	(25,715)
39	334 Meters	(29,899)	8.33%	-
40	335 Hydrants	(98,419)	2.00%	(1,968)
41	Total Gross CIAC Balance (See RUCO RBM-2)	<u>\$ (7,425,812)</u>		<u>\$ (167,235)</u>
42	RUCO Total Depreciation Expense			2,644,565
43	Company Adjusted Depreciation Expense As Filed			<u>2,615,868</u>
44	RUCO Increase/(Decrease) Expense Adjustment			<u>\$ 28,697</u>

• Fully Depreciated Per Company Schedule C-2, page 2

**OPERATING INCOME ADJUSTMENT NO. 2
PROPERTY TAXES**

Line No.	Property Tax Calculation	[A] RUCO AS ADJUSTED	[B] RUCO RECOMMENDED
1	RUCO Adjusted Test Year Gross Revenues Per RUCO Schedule RBM-13	\$ 11,260,093	\$ 11,260,093
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	\$ 22,520,186	\$ 22,520,186
4a	RUCO Adjusted Test Year Gross Revenues Per RUCO Schedule RBM-13	11,260,093	
4b	RUCO Recommended Revenue Per RUCO Schedule RBM-13		12,371,943
5	Subtotal (Line 3 + Line 4a)	\$ 33,780,279	\$ 34,892,129
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 11,260,093	\$ 11,630,710
8	Department of Revenue Mutilplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 22,520,186	\$ 23,261,419
10	Plus: 10% of CWIP Per Company Schedule E-1 As Filed	-	-
11	Less: Net Book Value of Licensed Vehicles	63,445	63,445
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 22,456,741	\$ 23,197,974
13	Assessment Ratio	19.0%	19.0%
14	Assessed Value (Line 12 * Line 13)	\$ 4,266,781	\$ 4,407,615
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation)	12.5389%	12.5389%
16	RUCO Adjusted Test Year Property Tax Expense (Line 14 * Line 15)	\$ 535,007	
17	Company Adjusted Test Year Property Tax Expense (Per Company Schedule C-1)	559,128	
18	RUCO Test Year Adjustment (Line 16-Line 17)	\$ (24,121)	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		\$ 552,666
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		535,007
21	Increase/(Decrease) to Property Tax Expense		\$ 17,659
22	Increase/(Decrease) to Property Tax Expense		\$ 17,659
23	Increase in Revenue Requirement		1,111,850
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (Line 22 / Line 23)		1.5883%

References:

RUCO Schedule RBM-13
RUCO Schedule RBM-4(a) page 1 of 2

Litchfield Park Service Company
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Water Division
Direct Schedule RBM-17
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OPERATING INCOME ADJUSTMENT NO. 3
USED ONLY FOR WASTEWATER DIVISION

Line
No. Description

Amount

References:

Litchfield Park Service Company
Docket No. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
Direct Schedule RBM-18
Page 1 of 1

OPERATING INCOME ADJUSTMENT NO. 4
REVENUE ACCRUAL FIX

Line
No. Description

Amount

References:

OPERATING INCOME ADJUSTMENT NO. 5
REVERSE COMPANY'S DECLINING USE ADJUSTMENT & REMOVE DECLINING USAGE COMPONENT FROM PURCHASED POWER ANNUALIZATION

Line No.	Description	Amount
1	Company Revenue Adjustment for Declining Usage	\$ (58,703)
2	RUCO Recommended Reversal Adjustment for Declining Usage	-
3	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ 58,703</u>
4	Company Test Year Booked Purchased Power Expense	\$ 891,103
5	Test Year Gallons Sold (in thousands)	<u>3,298,378</u>
6	Cost Per 1,000 gallons (Line 4 / Line 5)	0.27
7	RUCO Additional Gallons from Purchased Power Expense Annualization	45,832
8	Increase in Purchased Power per Company	\$ 12,423
9	RUCO Purchase Power Annualization, Less Declining Usage	12,382
10	Adjustment to Revenue and/or Expense (L10 - L8)	<u>\$ (41)</u>
11	RUCO's Total Recommended Adjustment	<u>\$ 58,744</u>

References:

Company Schedule C-2, page 7
Company Response to Staff DR JMM 2-2 (See RBM Direct Testimony for RUCO Rationale)
See RBM Testimony

Litchfield Park Service Company
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Water Division
Direct Schedule RBM-20
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**OPERATING INCOME ADJUSTMENT NO. 6
WATER TESTING EXPENSE**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Water Testing Proforma Adjustment Per Company as Filed	\$ 33,093
2	Water Testing Proforma Adjustment Per RUCO	11,031
3	RUCO Recommended Adjustment	\$ (22,062)

References:

Company Response to RUCO DR 3.32

Litchfield Park Service Company
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and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
Direct Schedule RBM-21
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**OPERATING INCOME ADJUSTMENT NO. 7
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**OPERATING INCOME ADJUSTMENT NO. 8
EMPLOYEE PENSION BENEFIT PLAN**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Employee Pension Benefit Plan Proforma Adjustment Per Company as Filed	\$ 62,199
2	Employee Pension Benefit Plan Proforma Adjustment Per RUCO Recommendation	-
3	RUCO Recommended Adjustment	\$ (62,199)

References:

Company Response to RUCO DR 3.01
See Testimony of RBM

Litchfield Park Service Company
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and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
Direct Schedule RBM-23
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**OPERATING INCOME ADJUSTMENT NO. 9
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

**OPERATING INCOME ADJUSTMENT NO. 10
ADDITIONAL REDUCTIONS TO US LIBERTY UTILITIES MANAGEMENT SERVICES**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
<u>Water Division:</u>		
1	Company's Proforma Adjustment for Management Services - US Liberty Water as Filed	\$ (16,840)
2	RUCO Recommended Adjustment for Management Services - US Liberty Water	<u>(18,669)</u>
3	RUCO Recommended Adjustment	<u>(1,829)</u>
<u>Wastewater Division:</u>		
4	Company's Proforma Adjustment for Management Services - US Liberty Water as Filed	\$ (21,457)
5	RUCO Recommended Adjustment for Management Services - US Liberty Water	<u>(23,978)</u>
6	RUCO Recommended Adjustment	<u>(2,521)</u>

References:

Company Response to Staff DR JMM 12-2

OPERATING INCOME ADJUSTMENT NO. 11
ALLOCATE BAD DEBT EXPENSE

Line No.	Description	Amount
<u>Water & Wastewater Divisions Combined Adjusted Test Year Bad Debt Expense as Filed:</u>		
1	Water Division Adjusted Test Year Bad Debt Expense as Filed	\$ (76)
2	Wastewater Division Adjusted Test Year Bad Debt Expense as Filed	45,215
3	Total Water & Wastewater Divisions Combined Adjusted Test Year Bad Debt Expense as Filed by Company	\$ 45,140
<u>Water Division:</u>		
4	Allocation Factor Recommended by RUCO to Allocate Bad Debt Expense to Water Division	47%
5	RUCO Recommended Bad Debt Expense Adjustment Allocated to Water Division	\$ 21,216
<u>Wastewater Division:</u>		
6	Allocation Factor Recommended by RUCO to Allocate Bad Debt Expense to Wastewater Division	53%
7	RUCO Recommended Bad Debt Adjustment Allocated to Wastewater Division	\$ (23,924)

References:
Company Response to Staff DR JMM 12-2

Litchfield Park Service Company
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and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
Direct Schedule RBM-26
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**OPERATING INCOME ADJUSTMENT NO. 12
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

OPERATING INCOME ADJUSTMENT NO. 13
APUC COST ALLOCATIONS

Line No.	Description	[A] Company Requested	[B] Allocation Factor From APUC	[C] APUC Allocation To Liberty Utilities	[D] Allocation Factor From Liberty Utilities To Liberty Utilities South	[E] Liberty Utilities Allocation To Liberty Utilities South	[F] Allocation Factor From Liberty Utilities South To LPSCO Water	[G] Allocation Factor From Liberty Utilities South To LPSCO Wastewater	[H] Liberty Utilities Allocation To LPSCO Water	[I] Liberty Utilities Allocation To LPSCO Wastewater	[J] Recommended Allocation Factors Per Decision 72059	[K] RUCO Recommended Allocation LPSCO Water	[L] RUCO Recommended Allocation LPSCO Sewer
1	Audit	\$ 1,361,911	51.8%	\$ 808,566	22.26%	\$ 179,960	28.74%	26.87%	\$ 51,712	\$ 48,352	100%	\$ 51,712	\$ 48,352
2	Tax	1,168,300	51.8%	605,321	22.26%	124,724	28.74%	26.87%	39,713	36,198	100%	39,713	36,198
3	Legal	630,160	51.8%	328,515	22.26%	68,724	28.74%	26.87%	21,030	19,864	100%	21,030	19,864
4	Professional Services	630,380	51.8%	328,525	22.26%	70,394	28.74%	26.87%	22,527	21,063	0%	-	-
5	Uninsured/Conductors	700,793	51.8%	362,785	22.26%	80,744	28.74%	26.87%	23,202	21,884	0%	-	-
6	Trailer / Director Fees	378,154	51.8%	195,782	22.26%	43,570	28.74%	26.87%	12,520	11,706	0%	-	-
7	Computer Supplies /Repairs	51,761	51.8%	26,796	22.26%	5,964	28.74%	26.87%	1,714	1,602	100%	1,714	1,602
8	Office Expenses	88,210	51.8%	50,841	22.26%	11,316	28.74%	26.87%	3,252	3,040	100%	3,252	3,040
9	Employee Stock Purchase Plan	4,270	51.8%	2,210	22.26%	482	28.74%	26.87%	141	132	0%	-	-
10	Board of Director's Insurance	145,728	51.8%	75,440	22.26%	16,790	28.74%	26.87%	4,825	4,511	50%	2,412	2,256
11	Electric & Traveler Agent Fees	75,000	51.8%	38,826	22.26%	8,641	28.74%	26.87%	2,483	2,322	0%	-	-
12	Training	76,343	51.8%	39,521	22.26%	8,796	28.74%	26.87%	2,528	2,363	100%	2,528	2,363
13	Stock Option expense	1,376,013	51.8%	712,331	22.26%	158,542	28.74%	26.87%	45,557	42,597	0%	-	-
14	Recruiting	54,095	51.8%	28,004	22.26%	6,233	28.74%	26.87%	1,791	1,675	100%	1,791	1,675
15	Meals and Entertainment	2,315	51.8%	1,198	22.26%	267	28.74%	26.87%	77	72	50%	38	36
16	Rent	84,861	51.8%	43,931	22.26%	9,778	28.74%	26.87%	2,810	2,670	100%	2,810	2,670
17	Communication	78,982	51.8%	40,867	22.26%	9,100	28.74%	26.87%	2,615	2,445	100%	2,615	2,445
18	Dues and Memberships	17,105	51.8%	8,871	22.26%	1,935	28.74%	26.87%	561	519	0%	-	-
19	Travel / Lodging / Per Diem	384,304	51.8%	199,266	22.26%	44,348	28.74%	26.87%	12,743	11,915	100%	12,743	11,915
20	Net Other Admin Costs	14,274	51.8%	7,388	22.26%	1,645	28.74%	26.87%	473	442	100%	473	442
21	Variance Due to Company's Monthly Allocation Factoring								10,321	26,092	52%	5,400	13,651
22	Total APUC Allocations Per RUCO	\$ 7,619,653		\$ 3,944,525		\$ 877,921			\$ 262,593	\$ 261,973		\$ 147,230	\$ 146,266
23	Company Water Division's APUC Cost Allocation Requested											262,593	261,973
24	Company Wastewater Division's APUC Cost Allocation Requested												
25	RUCO Recommended Water and Wastewater Division's APUC Cost Allocation Adjustment											\$ (115,362)	\$ (115,707)

Notes:

Variances by Company Per Responses to RUCO DR 1.08 and Staff 5.2
RUCO Allowance Factor for the Variances Identified by Company

References:

Column [A] - Company response to Staff DR JMM - 10.1(a) confirmed the accruals in that Column were true-up to Actual Expenses for this rate case.

**OPERATING INCOME ADJUSTMENT NO. 14
ACHIEVEMENT / INCENTIVE / BONUS PAY PROGRAMS**

Line No.	Description	Water Division Amount	Wastewater Division Amount
	Algonquin Power Utilities Corporation ("APUC") Allocation:		
1 1	Per Company APUC Achievement / Incentive / Bonus Pay Program Allocations Included in Test Year	\$ 45,557	\$ 42,597
2 2	RUCO Recommended APUC Achievement / Incentive / Bonus Pay Program Allocations Included in Test Year	0%	0%
3 2	RUCO's Recommended Adjustment to Company's Test Year End APUC Achievement / Incentive / Bonus Pay to Include in TY	\$ -	\$ -
	Liberty Utilities - Local Incentive Pay		
4 1	Per Company Liberty Utilities - Local Achievement / Incentive / Bonus Pay Program Included in Test Year	\$ 243,440	\$ 227,622
5	RUCO Recommended Achievement / Incentive / Bonus Pay Program Allocations Included in Test Year	50%	50%
6	RUCO's Recommended Adjustment to Company's Test Year End APUC Achievement / Incentive / Bonus Pay to Include in TY	\$ (121,720)	\$ (113,811)
	Liberty Utilities - Allocated Incentive Pay		
7 1	Per Company Liberty Utilities - Local Achievement / Incentive / Bonus Pay Program Included in Test Year	\$ 34,334	28,446
8	RUCO Recommended Achievement / Incentive / Bonus Pay Program Allocations Included in Test Year	50%	50%
9	RUCO's Recommended Adjustment to Company's Test Year End APUC Achievement / Incentive / Bonus Pay to Include in TY	\$ (17,167)	\$ (14,223)
10	RUCO's Recommended Total Adjustments	\$ (138,887)	\$ (128,034)

References:

- 1 Per Company Supplemental Response to RUCO 1.15(e)
- 2 RUCO disallowed 100% of the APUC Achievement / Incentive / Pay Program - Stock Option Expense (See RUCO Schedule RBM-27 at line 13)

OPERATING INCOME ADJUSTMENT NO. 15
MISCELLANEOUS EXPENSE

Line No.	Description	Account No.	[A] Company As Filed	[B] RUCO Allowance Factor	[C] RUCO Recommended Adjustment
1	Company Adjusted Miscellaneous Expense as Filed		\$ 151,237		
	<u>RUCO Adjustments:</u>				
2	Public Relations	8600-2-0200-69-5390	\$ 830	100%	\$ (830)
3	Meals and Entertainment	8600-2-0200-69-5300	4,675	50%	(2,338)
4	Charitable Donations	8600-2-0200-69-5450	12,940	100%	(12,940)
5	Total				<u>\$ (16,108)</u>
6	RUCO Adjustment to Miscellaneous Expense				<u>\$ (16,108)</u>

References:

Column [A]: Company Adjusted Test Year Schedule C-1 Balance on page 1 at line 28 and Company Response to Staff DR JMM 2-45;
Column [B]: RUCO Allowance Factor;
Column [C]: RUCO Recommended Adjustment.

RATE BASE ADJUSTMENT NO. 16
CUSTOMER SECURITY DEPOSIT INTEREST EXPENSE

Line No.	Description	Amount
Water Division:		
1 1	Customer Security Deposit Interest Expense As Filed by Company Below-the-Line for Both Divisions Per Response to Staff DR 13-4	\$ 10,314
2	RUCO Recommended Allocation for Water Division Net of Interest Earned (See Note 1 Below for Allocation Percentages)	<u>4,848</u>
3	RUCO's Recommended Adjustment (Net of Interest Earned on Unexpended CIAC Bank Account Per Response to Staff DR 1.13)	<u>\$ 4,848</u>
Wastewater Division:		
4 1	Customer Security Deposit Interest Expense As Filed by Company Below-the-Line for Both Divisions Per Response to Staff DR 13-4	\$ 10,314
5	RUCO Recommended Allocation for Water Division Net of Interest Earned (See Note 1 Below for Allocation Percentages)	<u>5,467</u>
6	RUCO's Recommended Adjustment (Net of Interest Earned on Unexpended CIAC Bank Account Per Response to Staff DR 1.13)	<u>\$ 5,467</u>

Note 1: Allocation Percentage Factors

Water = 47%
Wastewater = 53%

References:

- 1 Per Company Response and Excel workbook Attachment to Staff's DR 13-4

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Water Division
Direct Schedule RBM-31
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OPERATING INCOME ADJUSTMENT NO. 17
INCOME TAXES

Line No.	Description	[A] RUCO Adjusted Test Year Recommended	[B] RUCO Test Year Recommended
1	RUCO Computed Adjusted Test Year Income Tax	\$ 1,177,660	\$ 1,596,626
2	Company Income Tax As Filed	1,028,634	1,885,306
3	RUCO Adjustment to Income Tax Expense	\$ 149,026	\$ (288,680)

References:

See RUCO Schedule RBM-1 at page 2 of 2;
Company Schedule C-1 Adjusted Test Year as Filed

COST OF CAPITAL

Line No.		[A] DOLLAR AMOUNT	[B] CAPITAL RATIO	[C] COST RATE	[D] WEIGHTED COST RATE
1	Long-Term Debt	\$ 10,420,000	15.87%	6.86%	1.09%
2	Common Equity	<u>55,240,319</u>	<u>84.13%</u>	9.20% *	<u>7.74%</u>
3	Total Capitalization	<u>\$ 65,660,319</u>	<u>100.00%</u>		
4	WEIGHTED AVERAGE COST OF CAPITAL ("WACC")				8.83%

* The Return on Equity Recommended by RUCO was authorized in Decision No. 73996 dated July 30, 2013.

References:

Columns [A] Thru [D]: RBM & RBM Testimony

TABLE OF CONTENTS TO RBM SCHEDULES

SCH. NO.	PAGE NO.	TITLE
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RBM-3	1	RATE BASE ADJUSTMENTS
RBM-4(a)	1 of 2	SUMMARY OF UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENTS
RBM-4(a)	2 of 2	SUMMARY OF UPIS ACCUMULATED DEPRECIATION ("A/D") ADJUSTMENTS
RBM-4(b)	1 - 5	RECONSTRUCTION OF UPIS & A/D SCHEDULES
RBM-4(c)	1 - 2	UPIS & A/D RECLASSIFICATIONS
RBM-4(d)	1	RECLASSIFY WATER DIVISION INVOICES TO WASTEWATER DIVISION
RBM-4(e)	1	REMOVE DUPLICATE INVOICES FROM UPIS ADDITIONS
RBM-4(f)	1	RETIREMENT OF UPIS - TRANSPORTATION EQUIPMENT
RBM-4(g)	1	USED ONLY FOR WASTEWATER DIVISION
RBM-4(h)	1	ADDITIONAL ACCUMULATED DEPRECIATION ("A/D") FOR LATE RECORDED UPIS INVOICES
RBM-4(i)	1	TO CORRECT A/D FOR NON-DEPRECIABLE UPIS ACCOUNT
RBM-5	1	ADVANCES IN AID OF CONSTRUCTION ("AIAC")
RBM-6	1 - 6	CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & ACCUMULATED AMORTIZATIONS ("AA")
RBM-7	1	CUSTOMER METER DEPOSITS
RBM-8	1	CUSTOMER SECURITY DEPOSITS
RBM-9	1	INTENTIONALLY LEFT BLANK
RBM-10	1	INTENTIONALLY LEFT BLANK
RBM-11	1 - 2	ACCUMULATED DEFERRED INCOME TAX ("ADIT")
RBM-12	1	REGULATORY ASSET - TCE PLUME
RBM-13	1	OPERATING INCOME SUMMARY
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RBM-20	1	WATER TESTING EXPENSE - USED ONLY FOR WATER DIVISION
RBM-21	1	INTENTIONALLY LEFT BLANK
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RBM-24	1	ADDITIONAL REDUCTIONS TO US LIBERTY UTILITIES
RBM-25	1	ALLOCATE BAD DEBT EXPENSE BETWEEN WATER AND WASTEWATER DIVISION
RBM-26	1	INTENTIONALLY LEFT BLANK
RBM-27	1	ALGONQUIN POWER UTILITIES CORPORATION ("APUC") COST ALLOCATIONS
RBM-28	1	ACHIEVEMENT / INCENTIVE / BONUS PAY
RBM-29	1	MISCELLANEOUS EXPENSE
RBM-30	1	CUSTOMER DEPOSIT INTEREST EXPENSE
RBM-31	1	INCOME TAXES
RBM-32	1	COST OF CAPITAL

RUCO RECOMMENDED REVENUE REQUIREMENT

Line No.	Description	[A] Company OCRB/FVRB Cost	[B] RUCO OCRB/FVRB Cost
1	Fair Value Rate Base	\$ 23,877,697	\$ 23,988,000
2	Adjusted Test Year Operating Income (Loss)	\$ 1,871,616	\$ 2,095,839
3	Current Rate Of Return (L2 / L1)	7.84%	8.74%
4	Required Operating Income (L5 X L1)	\$ 2,268,786	\$ 2,117,817
5	Required Rate Of Return On Fair Value Rate Base	9.50%	8.83%
6	Operating Income Deficiency (L4 - L2)	\$ 397,170	\$ 21,978
7	Gross Revenue Conversion Factor (RLM-1, Pg 2)	1.6595	1.6496
8	Increase In Gross Revenue Requirement (L7 X L6)	\$ 659,088	\$ 36,254
9	Adjusted Test Year Revenue	\$ 10,361,603	\$ 10,362,796
10	Proposed Annual Revenue (L8 + L9)	\$ 11,020,691	\$ 10,399,050
11	Required Percentage Increase In Revenue (L8 / L9)	6.36%	0.35%
12	Rate Of Return On Common Equity	10.00%	9.20%

References:

Column [A]: Company Schedules A-1, B-1, C-1, and D-1
Column [B]: RUCO Schedule RBM-2, RBM-13 and RBM-32

RUCO GROSS REVENUE CONVERSION FACTOR ("GRCF")

LINE NO.	DESCRIPTION	[A]	[B]	[C]
<u>Calculation of Gross Revenue Conversion Factor:</u>				
1	Revenue	100.0000%		
2	Uncollectible Factor	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	39.3790%		
5	Subtotal (L3 - L4)	60.6210%		
6	Revenue Conversion Factor (L1 / L5)	1.649594		
<u>Calculation of Uncollectible Factor:</u>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	38.2900%		
9	One Minus Combined Income Tax Rate (L7 - L8)	61.7100%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)	0.0000%		
<u>Calculation of Effective Tax Rate:</u>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	6.5000%		
14	Federal Taxable Income (L12 - L13)	93.5000%		
15	Applicable Federal Income Tax Rate (Col. [C], L53)	34.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	31.7900%		
17	Combined Federal and State Income Tax Rate (L13 + L16)		38.2900%	
<u>Calculation of Effective Property Tax Factor:</u>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (Col. [B], L17)	38.2900%		
20	One Minus Combined Income Tax Rate (L18-L19)	61.7100%		
21	Property Tax Factor (Sch. RBM-9, Col. [B], L24)	1.7647%		
22	Effective Property Tax Factor (L20 x L21)		1.0890%	
23	Combined Federal and State Income Tax and Property Tax Rate (Col. [B], L17 + L22)			39.3790%
24	Required Operating Income (Sch. RBM-1, Col. [B] Line 4)	\$ 2,117,817		
25	Adjusted Test Year Operating Income (Loss) (Sch. RBM-1, Col. [B], L2)	2,095,839		
26	Required Increase in Operating Income (L24 - L25)		\$ 21,978	
27	Income Taxes on Recommended Revenue (Col. [C], L52)	\$ 1,152,033		
28	Income Taxes on Test Year Revenue (Col. [A], L52)	1,138,396		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)			13,637
30	Recommended Revenue Requirement (Sch. RBM-1, Col. [B], Line 10)	\$ 10,399,050		
31	Uncollectible Rate (L10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L30 x L31)	\$ -		
33	Adjusted Test Year Uncollectible Expense (Sch. RBM-6, Col. [C], L32)	\$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)			-
35	Property Tax with Recommended Revenue (Sch. RBM-9, Col. [B], L19)	\$ 549,173		
36	Property Tax on Test Year Revenue (Sch. RBM-9, Col. [B], L20)	548,533		
37	Increase in Property Tax Due to Increase in Revenue (L35 - 36)		640	
38	Total Required Increase in Revenue (Col. [B], L26 + L29 + L34 + L37)		\$ 36,254	
<u>Calculation of Income Tax:</u>				
39	Revenue (Sch. RBM-1, Col. [B], Line 9 & Sch. RBM-1, Col. [B], L10)	\$ 10,362,796	\$ 36,254	\$ 10,399,050
40	Operating Expenses Excluding Income Taxes	\$ 7,128,561		\$ 7,129,200
41	Synchronized Interest (Col. [C], L57)	\$ 261,146		\$ 261,146
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 2,973,090		\$ 3,008,704
43	Arizona State Income Tax Rate	6.5000%		6.5000%
44	Arizona Income Tax (L42 x L43)	\$ 193,251		\$ 195,566
45	Federal Taxable Income (L42 - L44)	\$ 2,779,839		\$ 2,813,139
46	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500		\$ 7,500
47	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 6,250		\$ 6,250
48	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ 8,500		\$ 8,500
49	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ 91,650		\$ 91,650
50	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ 831,245		\$ 842,567
51	Total Federal Income Tax	\$ 945,145		\$ 956,467
52	Combined Federal and State Income Tax (L44 + L51)	\$ 1,138,396		\$ 1,152,033
53	Applicable Federal Income Tax Rate [Col. [C], L46 - Col. [A], L46] / [Col. [C], L40 - Col. [A], L40]			34.0000%
<u>Synchronized Interest Calculation:</u>				
55	Rate Base		\$ 23,988,000	
56	x Weighted Average Cost of Debt		1.09%	
57	Synchronized Interest		\$ 261,146	

RUCO RATE BASE SUMMARY

Line No.	Description	[A] Company As Filed OCRB/FVRB	[B] RUCO Total Adjustments	[C] RUCO Recommended OCRB/FVRB
1	Gross Utility Plant In Service	\$ 74,024,532	\$ (8,315)	\$ 74,016,217
2	Accumulated Depreciation	(13,244,186)	(53,883)	(13,298,069)
3	Net Utility Plant in Service (L1 + L2)	\$ 60,780,346	\$ (62,198)	\$ 60,718,148
	Less:			
4	Advances In Aid of Construction ("AIAC")	(11,645,290)	-	(11,645,290)
5	Contributions In Aid of Construction ("CIAC")	(28,470,485)	93,570	(28,376,915)
6	Accumulated Amortization of CIAC	4,446,775	(293,475)	4,153,300
7	Net CIAC (L5 + L6)	\$ (24,023,709)	\$ (199,905)	\$ (24,223,615)
8	Customer Meter Deposits	(95,892)	14,231	(81,661)
9	Customer Security Deposits	(155,440)	(8,553)	(163,993)
10	Accumulated Deferred Income Taxes ("ADIT")	(982,318)	366,728	(615,589)
	Plus:			
11	Unamortized Finance Charges	-	-	-
12	Allowance For Working Capital	-	-	-
13	Total Rate Base (Sum L's 3, 4, 7, 8 Thru 12)	<u>\$ 23,877,697</u>	<u>\$ 110,304</u>	<u>\$ 23,988,000</u>

References:

Column [A]: Company Schedule B-1
Column [B]: RBM-3, Columns [B] Thru [K]
Column [C]: Column [A] + Column [B]

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

RUCO RATE BASE ADJUSTMENTS

LINE NO.	Description	[A] Company As Filed OCRB/FV/RB	[B] Adjust No. 1 Utility Plant in Service Adjustments	[C] Adjust No. 2 Accumulated Depreciation	[D] Adjust No. 3 Intentionally Left Blank	[E] Adjust No. 4 CIAC & Amortization Adjustments	[F] Adjust No. 5 Customer Meter Deposits	[G] Adjust No. 6 Customer Security Deposits	[H] Adjust No. 7 Intentionally Left Blank	[I] Adjust No. 8 Intentionally Left Blank	[J] Adjust No. 9 ADIT Adjustment	[K] Adjust No. 10 Used For Water Div. Only	[L] Total RUCO Adjustments	[M] RUCO Recommended OCRB/FV/RB
1	Gross Utility Plant in Service	\$ 74,024,532	\$ (8,315)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,315)	\$ 74,016,217
2	Accumulated Depreciation	(13,244,186)		(53,883)									(53,883)	(13,298,069)
3	Net Utility Plant in Service (L1 + L2)	\$ 60,780,346	\$ (8,315)	\$ (53,883)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (62,198)	\$ 60,718,148
4	Advances in Aid of Construction ("AIAC")	\$ (11,645,290)												
5	Contributions in Aid of Construction ("CIAC")	(28,470,485)												
6	Accumulated Amortization of CIAC	4,446,775					93,570						93,570	(28,376,915)
7	Net CIAC (L5 + L6)	\$ (24,023,709)					(28,470,485)						(28,470,485)	4,153,300
8	Customer Meter Deposits	\$ (85,892)												
9	Customer Security Deposits	(155,440)												
10	Accumulated Deferred Income Taxes ("ADIT")	(982,318)									366,728			(615,589)
11	Plus:													
12	Unamortized Finance Charges													
13	Allowance For Working Capital													
	Total Rate Base (Sum L's 3, 4, 7, 8 Thru 12)	\$ 23,877,697	\$ (8,315)	\$ (53,883)	\$ -	\$ (199,905)	\$ 14,231	\$ (8,553)	\$ -	\$ -	\$ 366,728	\$ -	\$ 110,304	\$ 23,988,000

RUCO Adjustments:

- Adjustment No. 1: Correct Utility Plant in Service ("UPIS") Balance as Filed by Company - See RUCO Adjustment No. 1 on Schedule RBM-4(a) 2012 TY Plant Summary Schedule on page 1 of 2, Column [J] at line 30;
Adjustment No. 2: Correct UPIS Accumulated Depreciation ("AD") Balance as Filed by Company - See RUCO Adjustment No. 2 on Schedule RBM-4(a) 2012 AD Summary Schedule on page 2 of 2, Column [J] at line 30;
Adjustment No. 3: Intentionally Left Blank;
Adjustment No. 4: Correct Contributions in Aid of Construction ("CIAC") & CIAC Amortization Balances as Filed by Company - See RUCO Schedule RBM-6 CIAC Reconstruction Schedules on page 1 of 5 at lines 3 & 5 with Total Net Adjustment at line 7 and on page 6 of 6, Column [S] & [H], at line 9;
Adjustment No. 5: RUCO Recommended 13-Month Average Customer Meter Deposit Balance as Calculated - See RUCO Schedule RBM-7 Customer Meter Deposits on page 1 of 1 at line 6;
Adjustment No. 6: RUCO Recommended 13-Month Average Customer Security Deposit Balance as Calculated - See RUCO Schedule RBM-8 Customer Security Deposits on page 1 of 1 at line 6;
Adjustment No. 7: Intentionally Left Blank;
Adjustment No. 8: Intentionally Left Blank;
Adjustment No. 9: RUCO Recommended 2012 TY End Accumulated Deferred Income Tax ("ADIT") Balance After RUCO Recommended Rate Base Adjustments - See RUCO Schedule RBM-11 ADIT on page 1 of 2 at line 11;
Adjustment No. 10: Used Only for Water Division

References:

- Column [A]: Company Schedule B-1
Column [B] Thru Column [K]: RUCO Recommended Rate Base Adjustments
Column [L]: Sum of RUCO Recommended Rate Base Adjustments of Columns [B] through [K]
Column [M]: Column [A] + Column [L]

**RATE BASE ADJUSTMENT NO. 1
SUMMARY OF UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENTS
TEST YEAR ENDED DECEMBER 31, 2012**

Line No.	Acct No.	Description	[A] Company Plant in Service As Filed	[B] RUCO Adjustment #1 Plant Reconstruction	[C] RUCO Adjustment #2 Plant Reclassifications Per Staff DR D11.2	[D] RUCO Adjustment #3 Reclassify Invoices From W to WW Div.	[E] RUCO Adjustment #4 Remove Duplicate Invoices	[F] RUCO Adjustment #5 Used Only for Water Division	[G] RUCO Adjustment #6 Remove Non-Used & Useful UPIS	[H] RUCO Adjustment #7 Used Only for Addl. Late Recorded Inv. AD	[I] RUCO Adjustment #8 Used Only for W Division AD	[J] RUCO Total UPIS Adjustments	[K] Total Plant in Service Recommended
1	351	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	352	Land	-	-	-	-	-	-	-	-	-	-	-
3	353	Structures & Improvements	1,850,582	-	-	-	(3,409)	-	-	-	-	(14,828)	1,835,956
4	354	Power Generation	24,208,314	-	(483,546)	12,156	(4,581)	-	(11,217)	-	-	(475,971)	23,732,343
5	355	Collection Sewer Forced	603,332	-	-	-	(4,000)	-	-	-	-	(400)	602,932
6	356	Collection Sewers Gravity	1,162,597	-	-	-	-	-	-	-	-	-	1,162,597
7	357	Special Collecting Structures	31,886,680	-	-	-	-	-	-	-	-	-	31,886,680
8	358	Special Services	-	-	-	-	-	-	-	-	-	-	-
9	359	Flow Measuring Devices	76,190	-	-	-	-	-	-	-	-	-	76,190
10	360	Flow Measuring Devices	46,210	-	-	-	-	-	-	-	-	-	46,210
11	361	Reuse Services And Installation	4,057,660	-	-	-	-	-	-	-	-	-	4,057,660
12	362	Reuse Meters And Installation	44,753	-	-	-	-	-	-	-	-	-	44,753
13	363	Reclaiming Wells	880,393	-	-	-	-	-	-	-	-	-	880,393
14	364	Pumping Equipment	799,481	-	-	-	-	-	-	-	-	-	799,481
15	365	Reuse Distribution Reservoirs	62,286	-	-	-	-	-	-	-	-	-	62,286
16	366	Reuse Traps and Dist. System	420,334	-	-	-	-	-	-	-	-	-	420,334
17	367	Treatment & Disposal Equipment	5,585,470	-	-	-	-	-	-	-	-	-	5,585,470
18	368	Plant Sewers	47,802	-	-	-	-	-	-	-	-	-	47,802
19	369	Outfall Sewer Lines	343,681	-	-	-	-	-	-	-	-	-	343,681
20	370	Other Sewer Plant & Equipment	871,498	-	(43,005)	-	(864)	-	-	-	-	(43,869)	827,530
21	371	Office Furniture & Equipment	275,740	-	-	-	-	-	-	-	-	-	275,740
22	372	Computers and Software	-	-	-	-	-	-	-	-	-	-	-
23	373	Transportation Equipment	33,497	-	-	-	-	-	-	-	-	-	33,497
24	374	Stores Equipment	8,968	-	-	-	-	-	-	-	-	-	8,968
25	375	Tools Shop And Garage Equip	145,631	-	(15,681)	-	-	-	-	-	-	(15,681)	129,950
26	376	Laboratory Equip	186,348	-	836	-	-	-	-	-	-	836	187,184
27	377	Power Operated Equipment	28,090	-	(21,485)	-	-	-	-	-	-	(21,485)	6,605
28	378	Communication Equip	418,996	-	-	-	-	-	-	-	-	-	418,996
29	379	Other Tangible Plant	-	-	-	-	-	-	-	-	-	-	-
29		Plant Held for Future Use	-	-	-	-	-	-	-	-	-	-	-
30		RUCO UPIS Adjustments	\$ 74,024,532	\$ -	\$ 0	\$ 12,166	\$ (9,254)	\$ -	\$ (11,217)	\$ -	\$ -	\$ (8,315)	\$ 74,016,217

RUCO Adjustments:
Adjustment No. 1: Correct Utility Plant in Service ("UPIS") Balance as Filed by Company - See RUCO Adjustment No. 1 on Schedule RBM-4(b) 2008 thru 2012 TY Plant Schedules on pages 1-6 at page 6 on line 32;
Adjustment No. 2: Plant Reclassifications - See RUCO Schedule RBM-4(c) on page 1 of 2, Column [B], at line 35;
Adjustment No. 3: Reclassify UPIS Invoices from Water to Wastewater Division - See RUCO Schedule RBM-4(d) on page 1 of 1 at line 13;
Adjustment No. 4: Remove Duplicate Invoices - See RUCO Schedule RBM-4(e) on page 1 of 1 at lines 3, 9, 15, and 21;
Adjustment No. 5: Used Only for Water Division;
Adjustment No. 6: Remove Non-Used & Useful Plant - See RUCO Schedule RBM-4(g) on page 1 of 1 at line 5;
Adjustment No. 7: Used Only for A/D of Late Recorded UPIS Invoices;
Adjustment No. 8: Used Only for Water Division.

References:
Column [A]: Company Schedule B-2 on page 3 Adjusted Test Year UPIS Balances as Filed;
Columns [B] Thru [J]: RUCO Recommended UPIS Adjustments;
Column [J]: Sum of Columns [B] Through [I] - RUCO Sum of Total Recommended UPIS Adjustments;
Column [K]: Column [A] + [J]

**RATE BASE ADJUSTMENT NO. 2
SUMMARY OF ACCUMULATED DEPRECIATION ADJUSTMENTS
TEST YEAR ENDED DECEMBER 31, 2012**

Line No.	Acct No.	Description	[A] Company Accum. Depr. As Filed	[B] RUCO Adjustment #1 Plant Reconstruction	[C] RUCO Adjustment #2 Plant Reclassifications Per Staff DR Dd 11.2	[D] RUCO Adjustment #3 Reclassify Invoices From W to WW Div.	[E] RUCO Adjustment #4 Remove Duplicate Invoices	[F] RUCO Adjustment #5 Used Only for Water Division	[G] RUCO Adjustment #6 Remove Non-Used & Useful UPIS	[H] RUCO Adjustment #7 Additional A/D on Late Recorded UPIS	[I] RUCO Adjustment #8 Used Only for W Division A/D	[J] RUCO Total Plant in Service Adjustments	[K] RUCO Accum. Depr. Recommended
1	351	Organization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	352	Franchise	-	-	-	-	-	-	-	-	-	-	-
3	353	Land	-	-	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	(3,773,984)	-	-	-	-	-	-	-	-	-	-
5	355	Power Generation	(223,393)	-	50,387	(607)	629	-	-	(6,478)	-	43,931	(3,730,053)
6	360	Collection Sewer Forced	109,004	-	-	-	50	-	-	-	-	50	(222,343)
7	361	Collection Sewers Gravity	(5,222,855)	-	-	-	-	-	-	-	-	-	109,004
8	362	Special Collecting Structures	-	-	-	-	-	-	-	(407)	-	(407)	(5,223,263)
9	363	Customer Services	(2,092)	-	-	-	-	-	-	-	-	-	(2,092)
10	364	Flow Measuring Devices	(38,453)	-	(12,816)	-	-	-	-	-	-	-	(51,269)
11	366	Reuse Services	(625,859)	-	-	-	-	-	-	-	-	-	(825,882)
12	367	Reuse Meters And Installation	(21,945)	-	-	-	-	-	-	(23)	-	(23)	(21,945)
13	370	Receiving Wells	(297,089)	-	-	-	-	-	-	-	-	-	(297,089)
14	371	Pumping Equipment	(276,747)	-	(5,372)	-	-	-	-	-	-	(5,372)	(282,119)
15	374	Reuse Distribution Reservoirs	(8,088)	-	-	-	-	-	-	-	-	-	(8,088)
16	375	Reuse Trunk and Dist. System	(48,106)	-	-	-	-	-	-	-	-	-	(48,106)
17	380	Treat & Disposal Equipment	(1,351,533)	(17,500)	(75,408)	-	-	-	-	(803)	-	(803)	(1,644,441)
18	381	Plant Sewer Lines	(16,886)	-	-	-	-	-	-	-	-	-	(16,886)
19	382	Outfall Sewer Lines	(244,445)	-	-	-	-	-	-	-	-	-	(244,445)
20	388	Office Sewer Plant & Equipment	(122,510)	-	10,039	-	144	-	-	-	-	-	(118,892)
21	390	Office Furniture & Equipment	-	-	-	-	-	-	-	-	-	-	(118,892)
22	390.1	Computers and Software	-	-	-	-	-	-	-	-	-	-	(223,962)
23	391	Transportation Equipment	(33,487)	3,646	-	-	-	-	-	-	-	10,183	(92,308)
24	392	Stores Equipment	(3,851)	-	-	-	-	-	-	-	-	-	(3,851)
25	393	Tools, Shop And Garage Equip	(25,027)	-	-	-	-	-	-	-	-	-	(25,027)
26	394	Laboratory Equip	(135,687)	-	392	-	-	-	-	-	-	392	(135,687)
27	395	Power Operated Equipment	(702)	-	(283)	-	-	-	-	-	-	(283)	(702)
28	398	Communication Equip	(373,237)	-	537	-	-	-	-	-	-	537	(373,237)
29		Plant Held for Future Use	-	-	-	-	-	-	-	-	-	-	-
30		Totals	\$ (13,244,186)	\$ (13,854)	\$ (32,534)	\$ (607)	\$ 823	\$ -	\$ -	\$ (7,711)	\$ -	\$ (51,883)	\$ (13,288,069)

RUCO Adjustments:

Adjustment No. 1: Accumulated Depreciation ("A/D") Per RUCO - See RUCO Schedule RBM-4(b) 2012 Plant Reconstruction Schedule on pages 1-6 at page 8 on line 34;
Adjustment No. 2: Plant Reclassifications A/D Per RUCO - See RUCO Schedule RBM-4(c) on page 2 of 2, Column [B], on line 35;
Adjustment No. 3: Reclassify A/D of UPIS Invoices from Water to Wastewater Division - See RUCO Schedule RBM-4(d) on page 1 of 1 at line 14;
Adjustment No. 4: Remove Duplicate Invoices A/D - See RUCO Schedule RBM-4(e) on page 1 of 1 at lines 6, 12, 18, and 24;
Adjustment No. 5: Used Only for Water Division;
Adjustment No. 6: To Remove A/D Associated with Non-Used & Useful Plant - See RUCO Schedule RBM-4(g) on page 1 of 1 at line 7;
Adjustment No. 7: Used Only for A/D of Late Recorded UPIS Invoices - See RUCO Schedule RBM-4(h) on page 1 of 1, Column [B], at line 35;
Adjustment No. 8: Used Only for Water Division.

References:

Columns [A]: Company Schedule B.2 on page 4 Adjusted Test Year as Filed
Columns [B] Through [I]: RUCO Recommended UPIS Adjustments
Column [J]: Sum of Columns [B] Through [I] - RUCO Sum of Total Recommended UPIS Adjustments
Column [K]: Column [A] + [J]

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
#REF!

NARUC Line No.	Account No.	Description	Allowed Deprec. Rate	Per Decision 72026				2008 (3 Months - October 1 through December 31, 2008)							Net Plant
				Plant at 9/30/2008	Deprec. At 9/30/2008	Net Plant at 9/30/2008	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant	Plant Retirements	Salvage AID Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	
1	351	Organization	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	352	Franchise	0.00%	1,783,426	-	1,783,426	-	-	-	-	-	-	-	-	-
3	353	Land	0.00%	18,720,541	-	17,249,960	-	-	-	-	-	-	-	-	-
4	354	Structures & Improvements	3.33%	548,674	(1,470,581)	441,552	(233,680)	(20,663)	(254,342)	-	-	154,790	18,466,199	(1,625,370)	1,783,426
5	355	Power Generation	5.00%	1,161,105	(107,121)	1,054,000	-	-	-	-	-	6,858	548,674	(113,980)	16,840,828
6	360	Collection Sewer Forced	2.00%	23,094,661	207,785	1,368,899	681,674	(7,514)	674,161	-	-	5,806	1,161,105	201,979	434,694
7	361	Collection Sewers Gravity	2.00%	-	(2,850,025)	20,244,636	-	-	-	-	-	117,159	23,768,822	(2,967,184)	1,363,084
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-	-	20,801,638
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	47,019	(19,320)	27,699	-	-	-	-	-	-	-	-	-
11	366	Reuse Services	2.00%	3,789,468	(482,984)	3,306,484	160,400	(59)	160,341	-	-	1,175	47,019	(20,495)	26,524
12	367	Reuse Meters And Installation	8.33%	52,331	(7,610)	44,721	1,535	-	1,535	-	-	19,348	3,949,808	(502,332)	3,447,476
13	370	Receiving Wells	3.33%	860,393	(175,322)	685,072	-	-	-	-	-	1,106	53,866	(8,716)	45,150
14	371	Pumping Equipment	12.50%	1,759,801	(959,964)	799,837	7,696	-	7,696	-	-	7,163	860,393	(182,484)	677,909
15	374	Reuse Distribution Reservoirs	2.50%	62,825	(1,959)	60,866	-	-	-	-	-	55,114	1,767,496	(1,015,078)	752,418
16	375	Reuse Trans. and Dist. System	2.50%	414,315	(3,884)	410,431	-	-	-	-	-	393	62,825	(2,352)	60,474
17	380	Treatment & Disposal Equipment	5.00%	5,431,228	(1,365,496)	4,065,731	(36,423)	-	(36,423)	-	-	67,663	5,394,805	(1,433,159)	3,961,646
18	381	Plant Sewers	5.00%	47,788	(6,531)	41,257	-	-	-	-	-	597	47,788	(7,128)	40,660
19	382	Outfall Sewer Lines	3.33%	343,681	(70,253)	273,428	-	-	-	-	-	2,861	343,681	(73,114)	270,567
20	389	Other Sewer Plant & Equipment	6.67%	605,548	(41,241)	564,307	(11,446)	-	(11,446)	-	-	10,002	594,101	(51,243)	542,859
21	390	Office Furniture & Equipment	6.67%	198,772	(58,516)	140,256	12,486	-	12,486	-	-	3,419	211,268	(61,935)	149,334
22	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	-	-	-
23	391	Transportation Equipment	20.00%	26,078	(10,505)	15,573	3,368	-	3,368	-	-	1,388	29,446	(11,893)	17,553
24	392	Stores Equipment	4.00%	8,968	(2,156)	6,811	-	-	-	-	-	90	8,968	(2,246)	6,721
25	393	Tools, Shop And Garage Equip	5.00%	56,167	(8,241)	47,927	4,879	-	4,879	-	-	733	61,046	(8,973)	52,073
26	394	Laboratory Equip	10.00%	173,948	(60,590)	113,358	-	-	-	-	-	4,349	173,948	(64,939)	109,010
27	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
28	396	Communication Equip	10.00%	418,996	(195,163)	223,833	-	-	-	-	-	10,475	418,996	(205,638)	213,358
29	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-	-	-
30		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
31		RUCO Total UPIS & AID		\$ 59,605,733	\$ (7,689,676)	\$ 51,916,057	\$ 590,500	\$ (28,236)	\$ 562,264	\$ -	\$ -	\$ 473,077	\$ 60,187,997	\$ (8,162,753)	\$ 52,005,243

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
#REF!

NARUC		2009										Net	
Line No.	Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.	Plant	Plant
1	351	Organization	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	-
3	353	Land	0.00%	68,263	-	68,263	-	-	-	1,851,690	-	1,851,690	-
4	354	Structures & Improvements	3.33%	643,865	(6,430)	637,435	-	-	625,538	19,103,634	(2,250,908)	16,852,725	-
5	355	Power Generation	5.00%	7,457	-	7,457	-	-	27,620	556,131	(141,600)	414,531	-
6	360	Collection Sewer Forced	2.00%	1,200	-	1,200	-	-	23,234	1,162,305	(178,745)	1,341,050	-
7	361	Collection Sewers Gravity	2.00%	3,132,384	(18,762)	3,113,622	-	-	506,513	26,882,443	(3,473,696)	23,408,747	-
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	-
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	-	-	-
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	4,702	47,019	(25,197)	21,822	-
11	366	Reuse Services	2.00%	107,733	-	107,733	-	-	80,073	4,057,541	(582,405)	3,475,136	-
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	4,487	53,866	(13,203)	40,663	-
13	370	Receiving Wells	3.33%	-	-	-	-	-	28,651	860,393	(211,136)	649,258	-
14	371	Pumping Equipment	12.50%	59,896	-	59,896	-	-	224,681	1,827,393	(1,239,759)	587,634	-
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	1,571	62,825	(3,922)	58,903	-
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	10,358	414,315	(16,832)	397,484	-
17	380	Treatment & Disposal Equipment	5.00%	38,942	-	38,942	-	-	270,714	5,433,746	(1,703,873)	3,729,874	-
18	381	Plant Sewers	5.00%	-	-	-	-	-	2,389	47,788	(9,518)	38,270	-
19	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	11,445	343,681	(84,558)	259,123	-
20	389	Other Sewer Plant & Equipment	6.67%	78,761	-	78,761	-	-	42,253	672,862	(93,496)	579,367	-
21	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	14,092	211,268	(76,026)	135,242	-
22	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	-
23	391	Transportation Equipment	20.00%	-	-	-	-	-	5,889	29,446	(17,782)	11,664	-
24	392	Stores Equipment	4.00%	-	-	-	-	-	359	8,968	(2,605)	6,363	-
25	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	3,052	61,046	(12,026)	49,021	-
26	394	Laboratory Equip	10.00%	-	-	-	-	-	17,395	173,948	(82,333)	91,615	-
27	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-	-
28	396	Communication Equip	10.00%	-	-	-	-	-	41,900	418,996	(247,538)	171,458	-
29	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	-
30		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-	-	-
31		RUCO Total UPIS & A/D		\$ 4,138,501	\$ (25,192)	\$ 4,113,310	\$ -	\$ -	\$ 1,946,915	\$ 64,281,306	\$ (10,109,668)	\$ 54,171,639	

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
#REF!

NARUC Account			Allowed Deprec. Rate	2010										Net Plant
Line No.	Account No.	Description		Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.			
1	351	Organization	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -		
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-		
3	353	Land	0.00%	1,613	-	1,613	-	-	-	1,853,302	-	1,853,302		
4	354	Structures & Improvements	3.33%	-	-	-	-	-	636,151	19,103,634	(2,887,059)	16,216,574		
5	355	Power Generation	5.00%	800	-	800	-	-	27,827	556,931	(169,427)	387,505		
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	23,246	1,162,305	155,499	1,317,804		
7	361	Collection Sewers Gravity	2.00%	1,324,126	(7,422)	1,316,704	-	-	550,816	28,199,148	(4,024,512)	24,174,636		
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-		
9	363	Customer Services	2.00%	15,630	-	15,630	-	-	156	15,630	(156)	15,474		
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	4,702	47,019	(29,899)	17,120		
11	366	Reuse Services	2.00%	-	-	-	-	-	81,151	4,057,541	(663,556)	3,393,985		
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	4,487	53,866	(17,690)	36,176		
13	370	Receiving Wells	3.33%	-	-	-	-	-	28,651	860,393	(239,787)	620,607		
14	371	Pumping Equipment	12.50%	36,683	-	36,683	(935,300)	-	172,261	928,776	(476,719)	452,057		
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	1,571	62,825	(5,493)	57,332		
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	10,358	414,315	(27,189)	387,126		
17	380	Treatment & Disposal Equipment	5.00%	35,345	-	35,345	-	-	272,571	5,469,092	(1,976,444)	3,492,648		
18	381	Plant Sewers	5.00%	-	-	-	-	-	2,389	47,788	(11,907)	35,881		
19	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	11,445	343,681	(96,003)	247,678		
20	389	Other Sewer Plant & Equipment	6.67%	33,548	-	33,548	-	-	45,999	706,410	(139,495)	566,915		
21	390	Office Furniture & Equipment	6.67%	10,777	-	10,777	-	-	14,451	222,046	(90,477)	131,568		
22	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-		
23	391	Transportation Equipment	20.00%	-	-	-	-	-	5,889	29,446	(23,672)	5,775		
24	392	Stores Equipment	4.00%	-	-	-	-	-	359	8,968	(2,964)	6,004		
25	393	Tools, Shop And Garage Equip	5.00%	2,936	-	2,936	-	-	3,126	63,982	(15,151)	48,831		
26	394	Laboratory Equip	10.00%	-	-	-	-	-	17,395	173,948	(99,728)	74,220		
27	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-		
28	396	Communication Equip	10.00%	-	-	-	-	-	41,900	418,996	(289,438)	129,559		
29	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-		
30		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-	-		
31		RUCO Total UPIS & A/D		\$ 1,461,458	\$ (7,422)	\$ 1,454,036	\$ (935,300)	\$ -	\$ 1,956,899	\$ 64,800,042	\$ (11,131,266)	\$ 53,668,776		

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
#REF!

NARUC Account No. Description			Allowed Deprec. Rate	2011										Net Plant
Line No.	No.			Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.			
1	351	Organization	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-		
3	353	Land	0.00%	-	-	-	-	-	-	1,853,302	-	1,853,302		
4	354	Structures & Improvements	3.33%	455,088	(13,362)	441,725	-	-	643,506	19,545,359	(3,530,565)	16,014,794		
5	355	Power Generation	5.00%	48,087	-	48,087	-	-	29,049	605,018	(198,475)	406,543		
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	23,246	1,162,305	132,253	1,294,557		
7	361	Collection Sewers Gravity	2.00%	3,563,023	(2,268)	3,560,755	-	-	599,591	31,759,903	(4,624,103)	27,135,800		
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-		
9	363	Customer Services	2.00%	35,240	-	35,240	-	-	665	50,870	(821)	50,049		
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	4,702	47,019	(34,601)	12,418		
11	366	Reuse Services	2.00%	-	-	-	-	-	81,151	4,057,541	(744,707)	3,312,834		
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	4,487	53,866	(22,177)	31,689		
13	370	Receiving Wells	3.33%	-	-	-	-	-	28,651	860,393	(268,438)	591,955		
14	371	Pumping Equipment	12.50%	44,147	(782)	43,364	(4,702)	-	118,513	967,439	(590,531)	376,908		
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	1,571	62,825	(7,063)	55,762		
16	375	Reuse Trans. and Dist. System	2.50%	5,005	-	5,005	-	-	10,420	419,320	(37,610)	381,710		
17	380	Treatment & Disposal Equipment	5.00%	69,624	(1,025)	68,600	-	-	275,170	5,537,692	(2,251,613)	3,286,078		
18	381	Plant Sewers	5.00%	-	-	-	-	-	2,389	47,788	(14,296)	33,492		
19	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	11,445	343,681	(107,448)	236,233		
20	389	Other Sewer Plant & Equipment	6.67%	36,091	-	36,091	-	-	48,321	742,502	(187,816)	554,686		
21	390	Office Furniture & Equipment	6.67%	9,304	-	9,304	-	-	15,121	231,350	(105,598)	125,752		
22	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-		
23	391	Transportation Equipment	20.00%	-	-	-	-	-	5,775	29,446	(29,446)	-		
24	392	Stores Equipment	4.00%	-	-	-	-	-	359	8,968	(3,322)	5,645		
25	393	Tools, Shop And Garage Equip	5.00%	29,211	(485)	28,726	-	-	3,917	92,709	(19,069)	73,640		
26	394	Laboratory Equip	10.00%	5,476	(187)	5,289	-	-	17,659	179,237	(117,388)	61,850		
27	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	-	-	-		
28	396	Communication Equip	10.00%	-	-	-	-	-	-	-	-	-		
29	398	Other Tangible Plant	10.00%	-	-	-	-	-	41,900	418,996	(331,337)	87,659		
30		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-	-		
31		RUCO Total UPIS & A/D		\$ 4,300,296	\$ (18,109)	\$ 4,282,187	\$ (4,702)	\$ -	\$ 1,967,607	\$ 69,077,528	\$ (13,094,171)	\$ 55,983,357		

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
#REF!

NARUC			2012										Net Plant
Line No.	Account No.	Description	Allowed Deprec. Rate	Plant Additions (Per Books)	Plant Adjustments	Adjusted Plant Additions	Plant Retirements	Salvage A/D Only	Depreciation (Calculated)	Plant Balance	Accum. Deprec.		
1	351	Organization	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	
3	353	Land	0.00%	(2,541)	(179)	(2,720)	-	-	-	1,850,582	-	1,850,582	
4	354	Structures & Improvements	3.33%	5,164,696	(16,661)	5,148,034	(485,079)	-	728,499	24,208,314	(3,773,984)	20,434,330	
5	355	Power Generation	5.00%	4,604	-	4,604	(6,291)	-	30,209	603,332	(222,393)	380,938	
6	360	Collection Sewer Forced	2.00%	292	-	292	-	-	23,249	1,162,597	109,004	1,271,601	
7	361	Collection Sewers Gravity	2.00%	165,891	(1,400)	164,491	(37,713)	-	636,466	31,886,680	(5,222,855)	26,663,825	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	-	-	-	
9	363	Customer Services	2.00%	25,356	(37)	25,320	-	-	1,271	76,190	(2,092)	74,098	
10	364	Flow Measuring Devices	10.00%	-	-	-	(809)	-	4,661	46,210	(38,453)	7,757	
11	366	Reuse Services	2.00%	118	-	118	-	-	81,152	4,057,660	(825,859)	3,231,801	
12	367	Reuse Meters And Installation	8.33%	(4,774)	-	(4,774)	(4,339)	-	4,107	44,753	(21,945)	22,808	
13	370	Receiving Wells	3.33%	-	-	-	-	-	28,651	860,393	(297,089)	563,304	
14	371	Pumping Equipment	12.50%	257,054	(796)	256,258	(424,216)	-	110,432	799,481	(276,747)	522,733	
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	(539)	-	1,564	62,286	(8,088)	54,198	
16	375	Reuse Trans. and Dist. System	2.50%	1,013	-	1,013	-	-	10,496	420,334	(48,106)	372,228	
17	380	Treatment & Disposal Equipment	5.00%	8,503	(66)	8,437	(660,659)	-	260,579	4,885,470	(1,851,533)	3,033,936	
18	381	Plant Sewers	5.00%	14	-	14	-	-	2,390	47,802	(16,686)	31,116	
19	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	11,445	343,681	(118,892)	224,789	
20	389	Other Sewer Plant & Equipment	6.67%	136,494	-	136,494	(7,497)	-	53,827	871,498	(234,145)	637,353	
21	390	Office Furniture & Equipment	6.67%	44,390	-	44,390	-	-	16,911	275,740	(122,510)	153,230	
22	390.1	Computers and Software	20.00%	-	-	-	-	-	-	-	-	-	
23	391	Transportation Equipment	20.00%	4,051	-	4,051	-	-	405	33,497	(29,852)	3,646	
24	392	Stores Equipment	4.00%	-	-	-	-	-	359	8,968	(3,681)	5,287	
25	393	Tools, Shop And Garage Equip	5.00%	53,206	(284)	52,922	-	-	5,958	145,631	(25,027)	120,604	
26	394	Laboratory Equip	10.00%	7,144	(34)	7,111	-	-	18,279	186,348	(135,667)	50,681	
27	395	Power Operated Equipment	5.00%	28,090	-	28,090	-	-	702	28,090	(702)	27,388	
28	396	Communication Equip	10.00%	-	-	-	-	-	41,900	418,996	(373,237)	45,759	
29	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	-	-	-	
30		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-	-	
31		RUCO Total UPIS & A/D		\$ 5,893,603	\$ (19,456)	\$ 5,874,147	\$ (1,627,142)	\$ -	\$ 2,073,512	\$ 73,324,532	\$ (13,540,541)	\$ 59,783,991	
31		Company As Filed Excluding PTY Plant		\$ 5,893,603	\$ (19,456)	\$ 5,874,147	\$ 1,627,142	\$ -	\$ 2,077,158	\$ 73,324,532	\$ 13,544,186	\$ 59,780,346	
32		RUCO Adjustments Excluding PTY Plant		\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,646)	\$ -	\$ 3,646	\$ 3,646	

Notes:
LPSCO 2012 Depre. Exp. - Acct. 391 - Transportation Equipment (Company Fully Depreciated 2012 Plant Addition of \$4,051) \$ 4,051
RUCO 2012 Depre. Exp. - Acct. 391 - Transportation Equipment (HY Convention for 2012 \$4,051 Plant Addition) 405
Difference Between LPSCO and RUCO A/D Calculations \$ (3,646) 1

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 1
PLANT RECONSTRUCTION SCHEDULE
#REF!

NARUC		2012 - Post-Test Year Plant Additions										Accum. Deprec.	Net Plant
Line No.	Account No.	Description	Allowed Deprec. Rate	Plant Additions Estimated	Plant Adjustments	Adjusted Plant Additions	Plant Retirements Estimated	Salvage A/D Only	Depreciation (Calculated)	Plant Balance			
1	351	Organization	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2	352	Franchise	0.00%	-	-	-	-	-	-	-	-	-	
3	353	Land	0.00%	-	-	-	-	-	-	-	-	-	
4	354	Structures & Improvements	3.33%	-	-	-	-	-	-	1,850,582	-	1,850,582	
5	355	Power Generation	5.00%	-	-	-	-	-	-	24,208,314	(3,773,984)	20,434,330	
6	360	Collection Sewer Forced	2.00%	-	-	-	-	-	-	603,332	(222,393)	380,938	
7	361	Collection Sewers Gravity	2.00%	-	-	-	-	-	-	1,162,597	109,004	1,271,601	
8	362	Special Collecting Structures	2.00%	-	-	-	-	-	-	31,886,680	(5,222,855)	26,663,825	
9	363	Customer Services	2.00%	-	-	-	-	-	-	-	-	-	
10	364	Flow Measuring Devices	10.00%	-	-	-	-	-	-	76,190	(2,092)	74,098	
11	366	Reuse Services	2.00%	-	-	-	-	-	-	46,210	(38,453)	7,757	
12	367	Reuse Meters And Installation	8.33%	-	-	-	-	-	-	4,057,660	(825,859)	3,231,801	
13	370	Receiving Wells	3.33%	-	-	-	-	-	-	44,753	(21,945)	22,808	
14	371	Pumping Equipment	12.50%	-	-	-	-	-	-	860,393	(297,089)	563,304	
15	374	Reuse Distribution Reservoirs	2.50%	-	-	-	-	-	-	799,481	(276,747)	522,733	
16	375	Reuse Trans. and Dist. System	2.50%	-	-	-	-	-	-	62,286	(8,086)	54,198	
17	380	Treatment & Disposal Equipment	5.00%	1,000,000	-	1,000,000	(300,000)	-	17,500	420,334	(48,106)	372,228	
18	381	Plant Sewers	5.00%	-	-	-	-	-	-	5,585,470	(1,569,033)	4,016,436	
19	382	Outfall Sewer Lines	3.33%	-	-	-	-	-	-	47,802	(16,686)	31,116	
20	389	Other Sewer Plant & Equipment	6.67%	-	-	-	-	-	-	343,681	(118,892)	224,789	
21	390	Office Furniture & Equipment	6.67%	-	-	-	-	-	-	871,498	(234,145)	637,353	
22	390.1	Computers and Software	20.00%	-	-	-	-	-	-	275,740	(122,510)	153,230	
23	391	Transportation Equipment	20.00%	-	-	-	-	-	-	-	-	-	
24	392	Stores Equipment	4.00%	-	-	-	-	-	-	33,497	(29,852)	3,646	
25	393	Tools, Shop And Garage Equip	5.00%	-	-	-	-	-	-	8,968	(3,681)	5,287	
26	394	Laboratory Equip	10.00%	-	-	-	-	-	-	145,631	(25,027)	120,604	
27	395	Power Operated Equipment	5.00%	-	-	-	-	-	-	186,348	(135,667)	50,681	
28	396	Communication Equip	10.00%	-	-	-	-	-	-	28,090	(702)	27,388	
29	398	Other Tangible Plant	10.00%	-	-	-	-	-	-	418,996	(373,237)	45,759	
30		Plant Held for Future Use	0.00%	-	-	-	-	-	-	-	-	-	
31		RUCO Total UPIS & A/D		\$ 1,000,000	\$ -	\$ 1,000,000	\$ (300,000)	\$ -	\$ 17,500	\$ 74,024,532	\$ (13,258,041)	\$ 60,766,491	
31		UPIS Per Company As Filed - Including Post-Test Year Plant								74,024,532			
32		RUCO's UPIS Adjustment								\$ -			
33		A/D Per Company As Filed									(13,244,186)		
34		RUCO's (Increase)/Decrease A/D Adjustment									\$ (13,854)		

**UTILITY PLANT IN SERVICE ("UPIS") ADJUSTMENT NO. 2
SUMMARY OF RECLASSIFICATIONS OF UTILITY PLANT IN SERVICE ("UPIS")**

Line No.	Acct. No.	Description	[A] Company UPIS As Filed	[B] RUCO UPIS Reclassification Adjustments	[C] RUCO Recommended UPIS Balances
1	351	Organization	\$ -	\$ -	\$ -
2	352	Franchise	-	-	-
3	353	Land	1,850,582	-	1,850,582
4	354	Structures & Improvements	24,208,314	(483,546)	23,724,768
5	355	Power Generation	603,332	-	603,332
6	360	Collection Sewer Forced	1,162,597	-	1,162,597
7	361	Collection Sewers Gravity	31,886,680	-	31,886,680
8	362	Special Collecting Structures	-	-	-
9	363	Customer Services	76,190	-	76,190
10	364	Flow Measuring Devices	46,210	36,618	82,828
11	366	Reuse Services	4,057,660	-	4,057,660
12	367	Reuse Meters And Installation	44,753	-	44,753
13	370	Receiving Wells	860,393	-	860,393
14	371	Pumping Equipment	799,481	55,670	855,150
15	374	Reuse Distribution Reservoirs	62,286	-	62,286
16	375	Reuse Trans. and Dist. System	420,334	-	420,334
17	380	Treatment & Disposal Equipment	5,585,470	470,592	6,056,062
18	381	Plant Sewers	47,802	-	47,802
19	382	Outfall Sewer Lines	343,681	-	343,681
20	389	Other Sewer Plant & Equipment	871,498	(43,005)	828,494
21	390	Office Furniture & Equipment	275,740	-	275,740
22	390.1	Computers and Software	-	-	-
23	391	Transportation Equipment	33,497	-	33,497
24	392	Stores Equipment	8,968	-	8,968
25	393	Tools, Shop And Garage Equip	145,631	(15,681)	129,950
26	394	Laboratory Equip	186,348	836	187,184
27	395	Power Operated Equipment	28,090	(21,485)	6,605
28	396	Communication Equip	418,996	-	418,996
29	398	Other Tangible Plant	-	-	-
34		Plant Held for Future Use	-	-	-
35		Totals	<u>\$ 74,024,532</u>	<u>\$ 0</u>	<u>\$ 74,024,532</u>

References:

Per Company Responses to Staff DR 11.2

UPIS ACCUMULATED DEPRECIATION ADJUSTMENT NO. 2
SUMMARY OF RECLASSIFICATIONS OF ACCUMULATED DEPRECIATION ("A/D")

Line No.	Acct. No.	Description	[A] Company Accum. Depre. As Filed	[B] RUCO Accum. Depre. Reclassification Adjustments	[C] RUCO Recommended Accum. Depre. Balances
1	301	Organization Cost	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	-	-	-
4	304	Structures & Improvements	(3,773,984)	50,387	(3,723,597)
5	305	Collecting & Impounding Reservoirs	(222,393)	-	(222,393)
6	306	Lake, River, Canal Intakes	109,004	-	109,004
7	307	Wells & Springs	(5,222,855)	-	(5,222,855)
8	308	Infiltration Galleries	-	-	-
9	309	Raw Water Supply Mains	(2,092)	-	(2,092)
10	310	Power Generation Equipment	(38,453)	(12,816)	(51,269)
11	311	Pumping Equipment	(825,859)	-	(825,859)
12	320	Water Treatment Equipment	(21,945)	-	(21,945)
13	320.1	Water Treatment Plants	(297,089)	-	(297,089)
14	320.2	Solution Chemical Feeders	(276,747)	(5,372)	(282,119)
15	330	Distribution Reservoirs & Standpipes	(8,088)	-	(8,088)
16	330.1	Storage Tanks	(48,106)	-	(48,106)
17	330.2	Pressure Tanks	(1,551,533)	(75,408)	(1,626,941)
18	331	Transmission & Distribution Mains	(16,686)	-	(16,686)
19	333	Services	(118,892)	-	(118,892)
20	334	Meters	(234,145)	10,039	(224,106)
21	335	Hydrants	(122,510)	-	(122,510)
22	336	Backflow Prevention Devices	-	-	-
23	339	Other Plant & Misc Equipment	(33,497)	-	(33,497)
24	340	Office Furniture & Equipment	(3,681)	-	(3,681)
25	340.1	Computers & Software	(25,027)	392	(24,635)
26	341	Transportation Equipment	(135,667)	(293)	(135,959)
27	342	Stores Equipment	(702)	537	(165)
28	343	Tools, Shop & Garage Equipment	(373,237)	-	(373,237)
29	344	Laboratory Equipment	-	-	-
34		Plant Held for Future Use	-	-	-
35		Totals	<u>\$ (13,244,186)</u>	<u>\$ (32,534)</u>	<u>\$ (13,276,720)</u>

References:

Per Company Responses to Staff DR DH 11-2

UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 3
RECLASSIFY PLANT INVOICES FROM WATER TO WASTEWATER DIVISION

Line No.	Description	Amount
Maricopa County Environmental Service Department ("MCESD") Permit Fees:		
1	1 Company Recorded Two MCESD Permit Fees to Water Division Account 304 - Structures & Improvements	\$ 6,000
2	RUCO Recommended Removal of Two MCESD Permit Fees from Water Acct. 304	(6,000)
3	RUCO's Adjustment to Remove and Reclassify Two MCESD Permit Fees to Wastewater Division Acct. 354	\$ 6,000
Adjust Accumulated Depreciation:		
4	2011 Accumulated Depreciation As Filed By Company: Account 304 - Structures & Improvements	\$ 300
5	RUCO Recommended Accumulated Depreciation For Removal and Reclassification of Two MCESD Permit Fees	(300)
6	RUCO's Adjustment to Remove and Reclassify Two MCESD Permit Fees to Acct. 354	\$ (300)
Errol L. Montgomery & Associates		
7	2 Company Recorded Invoice to W Division Account 304 - Structures & Improvements	\$ 6,156
8	RUCO Recommended Removal of Errol L. Montgomery & Associates from Water Acct. 304	(6,156)
9	RUCO's Adjustment to Remove and Reclassify Errol L. Montgomery & Associates Invoice to Wastewater Division Acct. 354	\$ 6,156
Adjust Accumulated Depreciation:		
10	2011 Accumulated Depreciation As Filed By Company: Account 304 - Structures & Improvements	\$ 308
11	RUCO Recommended Accumulated Depreciation to Remove and Reclassify Errol L. Montgomery & Associates Invoice	(308)
12	RUCO's Adjustment to Remove and Reclassify Errol L. Montgomery & Associates to Wastewater Division - Acct. 354	\$ (308)
13	Total UPIS Invoices Transferred from Water to Wastewater Division (See Reference Section Below)	\$ 12,156
14	Total Accumulated Depreciation Associated with Transferred Invoices from Water to Wastewater Division (See Reference Section Below)	\$ (607)

References:

- 1 LPSCO Response to Staff DR DH - 4.6
- 2 LPSCO Response to Staff DR DH - 4.7

**UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 4
REMOVE DUPLICATE INVOICES OF PLANT ADDITIONS**

Line No.	Description	Amount
Adjust Plant Additions:		
1	2008 Plant Addition As Filed By Company: Account 354 - Structures & Improvements	\$ (233,680)
2	RUCO Recommended Plant Addition After Removal of Duplicate Invoice	<u>(238,261)</u>
3	RUCO's Plant Adjustment to Remove Duplicate Invoice	<u>\$ (4,581)</u>
Adjust Accumulated Depreciation:		
4	2008 Accumulated Depreciation As Filed By Company: Account 354 - Structures & Improvements	\$ 629
5	RUCO Recommended Accumulated Depreciation For Removal of Duplicate Invoice	<u>-</u>
6	RUCO's Adjustment to Remove Duplicate Invoice	<u>\$ 629</u>
Adjust Plant Additions:		
7	2009 Plant Addition As Filed By Company: Account 353 - Land	\$ 68,263
8	RUCO Recommended Plant Addition After Removal of Duplicate Invoice	<u>64,855</u>
9	RUCO's Plant Adjustment to Remove Duplicate Invoice	<u>\$ (3,409)</u>
Adjust Accumulated Depreciation:		
10	2009 Accumulated Depreciation As Filed By Company: Account 353 - Land	\$ -
11	RUCO Recommended Accumulated Depreciation For Removal of Duplicate Invoice	<u>-</u>
12	RUCO's Adjustment to Remove Duplicate Invoice	<u>\$ -</u>
Adjust Plant Additions:		
13	2010 Plant Addition As Filed By Company: Account 355 - Power Generation Equipment	\$ 800
14	RUCO Recommended Plant Addition After Removal of Duplicate Invoice	<u>400</u>
15	RUCO's Plant Adjustment to Remove Duplicate Invoice	<u>\$ (400)</u>
Adjust Accumulated Depreciation:		
16	2010 Accumulated Depreciation As Filed By Company: Account 355 - Power Generation Equipment	\$ 50
17	RUCO Recommended Accumulated Depreciation For Removal of Duplicate Invoice	<u>-</u>
18	RUCO's Adjustment to Remove Duplicate Invoice	<u>\$ 50</u>
Adjust Plant Additions:		
19	2010 Plant Addition As Filed By Company: Account 389 - Other Sewer Plant & Equipment	\$ 864
20	RUCO Recommended Plant Addition After Removal of Duplicate Invoice	<u>-</u>
21	RUCO's Plant Adjustment to Remove Duplicate Invoice	<u>\$ (864)</u>
Adjust Accumulated Depreciation:		
22	2010 Accumulated Depreciation As Filed By Company: Account 389 - Other Sewer Plant & Equipment	\$ 144
23	RUCO Recommended Accumulated Depreciation For Removal of Duplicate Invoice	<u>-</u>
24	RUCO's Adjustment to Remove Duplicate Invoice	<u>\$ 144</u>

References:

- 1 Per Company Response to Staff's Wastewater DR 1.12
- 2 Per Company Response to Staff's Wastewater DR 2.65
- 3 Per Company Response to DR 3.16

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-4(f)
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UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 5
USED ONLY FOR WATER DIVISION

Line No.	Asset Index No.	Description	Amount
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References:

**UTILITY PLANT IN SERVICE ("UPIS") & UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 6
REMOVE NON-USED & USEFUL PLANT INVOICES**

Line No.	Asset Index No.	Description	Amount
Account 353 - Land: Remove 2009 Plant Additions as Non-Used & Useful Per LPSCO Response to Staff DR DH 11-5:			
1	4708	Hydro Engineering Solutions, LLC	(3,995)
2	4709	Hydro Engineering Solutions, LLC	(1,194)
3	4751	Hydro Engineering Solutions, LLC	(2,620)
4	4749	Hydro Engineering Solutions, LLC	<u>(3,409)</u>
5		RUCO's Recommended Adjustment	<u><u>(11,217)</u></u>
Accumulated Depreciation Adjustment Related to the Above Invoices:			
6		Per RUCO - There is no accumulated depreciation adjustment because the Invoices were charged to non-depreciable Account 353 - Land	<u>-</u>
7		RUCO's Recommended Adjustment	<u><u>-</u></u>

References:
Per Company Response to Staff's DR DH 11-5

UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 7
ADDITIONAL ACCUMULATED DEPRECIATION ("A/D") FOR LATE RECORDED PLANT ADDITIONS

Line No.	Acct. No.	Description	[A] Company Accum. Depre. As Filed	[B] RUCO Additional Accum. Depre. for Late Recorded UPIS	[C] RUCO Recommended Accum. Depre. Balances
1	351	Organization Cost	\$ -	\$ -	\$ -
2	352	Franchise Cost	-	-	-
3	353	Land and Land Rights	-	-	-
4	354	Structures & Improvements	(3,773,984)	(6,478)	(3,780,463)
5	355	Collecting & Impounding Reservoirs	(222,393)	-	(222,393)
6	360	Lake, River, Canal Intakes	109,004	-	109,004
7	361	Wells & Springs	(5,222,855)	(407)	(5,223,263)
8	362	Infiltration Galleries	-	-	-
9	363	Raw Water Supply Mains	(2,092)	-	(2,092)
10	364	Power Generation Equipment	(38,453)	-	(38,453)
11	366	Pumping Equipment	(825,859)	(23)	(825,882)
12	367	Water Treatment Equipment	(21,945)	-	(21,945)
13	370	Water Treatment Plants	(297,089)	-	(297,089)
14	371	Solution Chemical Feeders	(276,747)	-	(276,747)
15	374	Distribution Reservoirs & Standpipes	(8,088)	-	(8,088)
16	375	Storage Tanks	(48,106)	(803)	(48,908)
17	380	Pressure Tanks	(1,551,533)	-	(1,551,533)
18	381	Transmission & Distribution Mains	(16,686)	-	(16,686)
19	382	Services	(118,892)	-	(118,892)
20	389	Meters	(234,145)	-	(234,145)
21	390	Hydrants	(122,510)	-	(122,510)
22	390.1	Backflow Prevention Devices	-	-	-
23	391	Other Plant & Misc Equipment	(33,497)	-	(33,497)
24	392	Office Furniture & Equipment	(3,681)	-	(3,681)
25	393	Computers & Software	(25,027)	-	(25,027)
26	394	Transportation Equipment	(135,667)	-	(135,667)
27	395	Stores Equipment	(702)	-	(702)
28	396	Tools, Shop & Garage Equipment	(373,237)	-	(373,237)
29	398	Laboratory Equipment	-	-	-
34		Plant Held for Future Use	-	-	-
35		Totals	\$ (13,244,186)	\$ (7,711)	\$ (13,251,897)

References:

Per Company Responses to Staff DR 16.1

UPIS ACCUMULATED DEPRECIATION ADJUSTMENTS NO. 8
USED ONLY FOR WATER DIVISION

Line No.	Description	Amount
1		\$ -
2		-
3		<u>\$ -</u>

References:

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-5
Page 1 of 1

**RATE BASE ADJUSTMENT NO. 3
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Line No.	Description	Amount
Water Division:		
1		\$ -
2		-
3		<u>\$ -</u>
Wastewater Division:		
4		\$ -
5		-
6		<u>\$ -</u>

References:

RATE BASE ADJUSTMENT NO. 4
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	Description	Amount
	<u>Gross CIAC:</u>	
1	Company Gross CIAC as Filed	\$ (28,470,485)
2	RUCO Recommended Gross CIAC	(28,376,915)
3	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ 93,570</u>
	<u>Accumulated Amortization of CIAC:</u>	
4	Company Accumulated Amortization of CIAC as Filed	4,446,775
5	RUCO Recommended Accumulated Amortization of CIAC	4,153,300
6	RUCO Recommended Increase/(Decrease) Adjustment	<u>\$ (293,475)</u>
7	RUCO Net Increase/Decrease Adjustment	<u><u>\$ (199,905)</u></u>

References:

Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See TJC Testimony

RATE BASE ADJUSTMENT NO. 4
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	Per Decision 72026					2008 (3 Months - October 1 through December 31, 2008)			[I]
				[A] Gross CIAC Balance at 9/30/2008	[B] CIAC Amortization Balance 9/30/2008	[C] CIAC Net Balance 9/30/2008	[D] CIAC Activity	[E] CIAC Adjustments	[F] Adjusted CIAC Activity	[G] RUCO Amortization (Calculated)	[H] Gross CIAC Balance at 12/31/2008	
1	361	Collection Sewers Gravity Contributed	2.00%	\$ (17,134,023)	\$ -	\$ (15,557,435)	\$ (706,018)	\$ -	\$ (706,018)	\$ -	\$ (17,840,041)	\$ -
2		Current Period Amortization										
3		Accumulated Amortization Balance			1,576,589					87,435		1,664,024
4	363	Customer Services Contributed										
5		Current Period Amortization	2.00%	(1,509,762)	-	(1,014,234)	(140,400)	-	(140,400)	-	(1,650,162)	-
6		Accumulated Amortization Balance			495,529					7,900		503,428
7		RUCO Gross CIAC & Amortizations		\$ (18,643,786)	\$ 2,072,117	\$ (16,571,669)	\$ (846,418)	\$ -	\$ (846,418)	\$ 95,335	\$ (19,490,203)	\$ 2,167,452
8		Company As Filed		\$ 18,643,786	\$ (2,072,117)	\$ 16,571,669	\$ 846,418	\$ -	\$ 846,418	\$ (381,340)	\$ 19,593,549	\$ (2,453,457)
9		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (286,005)	\$ 93,346	\$ (286,005)

References:
Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See TJC Testimony

RATE BASE ADJUSTMENT NO. 4
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	2009							Accum. Amortization 12/31/2009
				[A] Beginning Gross CIAC 1/1/2009	[B] Beginning Amortization Balance 1/1/2009	[C] CIAC Activity	[D] CIAC Adjustments	[E] Adjusted CIAC Activity	[F] RUCO Amortization (Calculated)	[G] Gross CIAC Balance at 12/31/2009	
1	361	Collection Sewers Gravity Contributed	2.00%	\$ (17,840,041)	\$ -	\$ (2,870,602)	\$ -	\$ (2,870,602)	\$ -	\$ (20,710,643)	\$ -
2		Current Period Amortization									
3		Accumulated Amortization Balance			1,664,024				385,507		2,049,531
4	363	Customer Services Contributed	2.00%	(1,650,162)	-	(698,724)	-	(698,724)		(2,348,887)	
5		Current Period Amortization									
6		Accumulated Amortization Balance			503,428				39,990		543,419
7		RUCO Gross CIAC & Amortizations		\$ (19,490,203)	\$ 2,167,452	\$ (3,569,326)	\$ -	\$ (3,569,326)	\$ 425,497	\$ (23,059,530)	\$ 2,592,949
8		Company As Filed		\$ 19,583,549	\$ (2,453,457)	\$ 3,569,326	\$ -	\$ 3,569,326	\$ (427,364)	\$ 23,152,876	\$ (2,880,822)
9		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ (93,346)	\$ 4,620,909	\$ -	\$ -	\$ -	\$ (1,867)	\$ 93,346	\$ (287,872)

References:
Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See TJC Testimony

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

**RATE BASE ADJUSTMENT NO. 4
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE**

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	2010							[H]
				[A] Beginning Gross CIAC 1/1/2010	[B] Beginning Amortization Balance 1/1/2010	[C] CIAC Activity	[D] CIAC Adjustments	[E] Adjusted CIAC Activity	[F] RUCO Amortization (Calculated)	[G] Gross CIAC Balance at 12/31/2010	
1	361	Collection Sewers Gravity Contributed	2.00%	\$ (20,710,643)	\$ -	\$ (1,079,042)	\$ -	\$ (1,079,042)	\$ -	\$ (21,789,685)	\$ -
2		Current Period Amortization									
3		Accumulated Amortization Balance			2,049,531				425,003		2,474,534
4	363	Customer Services Contributed	2.00%	(2,348,887)	-	(15,630)	-	(15,630)		(2,364,517)	
5		Current Period Amortization									
6		Accumulated Amortization Balance			543,419				47,134		590,553
7		RUCO Gross CIAC & Amortizations		\$ (23,059,530)	\$ 2,592,949	\$ (1,094,672)	\$ -	\$ (1,094,672)	\$ 472,137	\$ (24,154,202)	\$ 3,065,087
8		Company As Filed		\$ 23,152,876	\$ (2,880,822)	\$ 1,094,672	\$ -	\$ 1,094,672	\$ (474,004)	\$ 24,247,548	\$ (3,354,826)
9		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ (93,346)	\$ 5,473,771	\$ -	\$ -	\$ -	\$ (1,867)	\$ 93,346	\$ (289,739)

References:
Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See TJC Testimony

RATE BASE ADJUSTMENT NO. 4
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	[A] Beginning Gross CIAC 1/1/2011	[B] Beginning Amortization Balance 1/1/2011	[C] CIAC Activity	[D] CIAC Adjustments	[E] Adjusted CIAC Activity	[F] RUCO Amortization (Calculated)	[G] Gross CIAC Balance at 12/31/2011	[H] Accum. Amortization 12/31/2011
1	361	Collection Sewers Gravity Contributed	2.00%	\$ (21,789,685)	-	\$ (4,063,446)	\$ 107,523	\$ (3,955,923)	-	\$ (25,745,608)	\$ -
2		Current Period Amortization			2,474,534				475,353		2,949,887
3		Accumulated Amortization Balance									
4	363	Customer Services Contributed	2.00%	(2,364,517)	-	(34,990)	-	(34,990)		(2,399,507)	
5		Current Period Amortization							47,640		638,193
6		Accumulated Amortization Balance			590,553						
7		RUCO Gross CIAC & Amortizations		\$ (24,154,202)	3,065,087	\$ (4,098,436)	\$ 107,523	\$ (3,990,913)	\$ 522,993	\$ (28,145,114)	\$ 3,588,080
8		Company As Filed		\$ 24,247,548	(3,354,826)	\$ 4,098,436	\$ (107,523)	\$ 3,990,913	\$ (524,860)	\$ 28,238,460	\$ (3,879,686)
9		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ (93,346)	6,419,913	\$ -	\$ -	\$ -	\$ (1,867)	\$ 93,346	\$ (291,606)

References:

Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See RBM Testimony

RATE BASE ADJUSTMENT NO. 4
CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC") & AMORTIZATIONS RECONSTRUCTION SCHEDULE

Line No.	NARUC Account No.	Description	Allowed Amort. Rate	[A] Beginning Gross CIAC 1/1/2012	[B] Beginning Amortization Balance 1/1/2012	[C] CIAC Activity	[D] CIAC Adjustments	[E] Adjusted CIAC Activity	[F] RUCO Amortization (Calculated)	[G] Gross CIAC Balance at 12/31/2012	[H] Accum Amortization 12/31/2012
1	361	Collection Sewers Gravity Contributed	2.00%	\$ (25,745,608)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,745,608)	\$ -
2		Current Period Amortization			2,949,887				514,912		3,464,799
3		Accumulated Amortization Balance									
4	363	Customer Services Contributed	2.00%	(2,399,507)	-	(231,801)	-	(231,801)		(2,631,307)	
5		Current Period Amortization			638,193				50,308		688,501
6		Accumulated Amortization Balance									
7		RUCO Gross CIAC & Amortizations		\$ (28,145,114)	\$ 3,588,080	\$ (231,801)	\$ -	\$ (231,801)	\$ 585,220	\$ (28,376,915)	\$ 4,153,300
8		Company As Filed		\$ 28,238,460	\$ (3,879,686)	\$ 232,025	\$ -	\$ 232,025	\$ (567,089)	\$ 28,470,485	\$ (4,446,775)
9		RUCO Gross CIAC & Total Accum. Amortization Increase/(Decrease) Adjustments		\$ (93,348)	\$ (291,606)	\$ 224	\$ -	\$ 224	\$ (1,869)	\$ 93,570	\$ (293,475)

References:
Company Response to Staff DR JMM 2-23
Company Schedule B-2, pages 5.1 - 5.3
See RBM Testimony

**RATE BASE ADJUSTMENT NO. 5
CUSTOMER METER DEPOSITS**

Line No.	Description	Amount
Water Division:		
1	1 Customer Meter Deposits As Filed by Company	\$ (1,271,802)
2	RUCO Recommended 13-Month Average - Meter Deposits	<u>(1,432,787)</u>
3	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ (160,986)</u>
Wastewater Division:		
4	1 Customer Meter Deposits As Filed by Company	\$ (95,892)
5	RUCO Recommended 13-Month Average - Meter Deposits	<u>(81,661)</u>
6	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ 14,231</u>

References:

- 1 Per Company Response to Staff's DR 2.68

**RATE BASE ADJUSTMENT NO. 6
CUSTOMER SECURITY DEPOSITS**

Line No.	Description	Amount
Water Division:		
1	1 & 2 Customer Security Deposits As Filed by Company	\$ (140,147)
2	RUCO Recommended 13-Month Average - Customer Security Deposits	<u>(145,428)</u>
3	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ (5,281)</u>
Wastewater Division:		
4	1 & 2 Customer Security Deposits As Filed by Company	\$ 155,440
5	RUCO Recommended 13-Month Average - Customer Security Deposits	<u>163,993</u>
6	RUCO's Recommended (Increase)/Decrease Adjustment	<u>\$ (8,553)</u>

References:

- 1 Per Company Response to Staff's DR 2.68
- 2 Per Company Response to DR 3.07

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-9
Page 1 of 1

**RATE BASE ADJUSTMENT NO. 7
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Line No.	Description	Amount
	Water Division:	
1		\$ -
2		-
3		<u>\$ -</u>
	Wastewater Division:	
4		\$ -
5		-
6		<u>\$ -</u>

References:

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-10
Page 1 of 1

**RATE BASE ADJUSTMENT NO. 8
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Line No.	Description	Amount
	Water Division:	
1		\$ -
2		-
3		<u>\$ -</u>
	Wastewater Division:	
4		\$ -
5		-
6		<u>\$ -</u>

References:

RATE BASE ADJUSTMENT NO. 9
ACCUMULATED DEFERRED INCOME TAX ("ADIT")

Line No.	Deferred Income Tax as of December 31, 2012				Probability of Realization of Future Tax Benefit	Deductible TD (Taxable TD) Expected to be Realized	Effective Tax Rate	Future Tax Asset		Future Tax Liability	
	Water & Sewer Adjusted Book Value	Water & Sewer Tax Value						Current	Non Current	Current	Non Current
1	Plant-in-Service \$ 161,843,075 ¹										
2	Accum. Deprec. (92,314,575) ¹										
3	CIAC (59,777,267) ³										
4	Federal Fixed Assets \$ 69,751,233	\$ 47,269,626 ²			100.0%	\$ (22,481,607)	31.79%				(7,146,903)
5	State Fixed Assets \$ 69,751,233	\$ 73,927,914 ²			100.0%	\$ 4,176,681	6.50%		271,484		-
6	Fed & State AIAC	14,120,318 ⁴			100.0%	\$ 14,120,318 ⁴	38.29%	\$ 5,406,670			
								\$ -	\$ 5,678,154	\$ -	\$ (7,146,903)
7	Net Asset (Liability)							\$ (1,468,749)			
8	Allocation Factor - Wastewater-Division (based on rate base before ADIT)							0.4191			
9	Net Asset (Liability) Wastewater Division							\$ (615,589)			
10	Adjusted Test Year DIT Asset (Liability) as Filed							\$ (982,318)			
11	Adjustment to DIT							\$ 366,728			

Footnotes - See Next Page

RATE BASE ADJUSTMENT NO. 9 (Continued)
ACCUMULATED DEFERRED INCOME TAX ("ADIT")

Line
No.

¹ Per adjusted book balances

2 Computation of Net Tax Value December 31, 2012

Based on 2012 Tax Depreciation report (December 31, 2012)

1	Unadjusted Cost at December 31, 2012 per federal and state tax depr. report
2	Reconciling Items not on tax report:
3	Land on Tax and not on included in adjusted plant balance
4	FA Accrual on not on tax report
5	Proposed Plant retirements
6	Post Test Year plant
7	Post Test Year Plant Retirement
8	Net Unadjusted Cost tax Basis at December 31, 2012

FEDERAL	STATE
\$ 85,943,311	\$ 84,887,919
(1,055,392)	-
6,391,333	6,391,333
(1,712,539)	(1,712,539)
1,000,000	1,000,000
(300,000)	(300,000)
\$ 90,266,713	\$ 90,266,713
\$ (25,331,094)	\$ -
(19,678,532)	(18,351,338)
1,712,539	1,712,539
300,000	300,000
(42,997,087)	(16,338,799)
\$ 47,269,626	\$ 73,927,914

Reductions

9	Basis Reduction 2012 and Prior Years per federal and state tax depr. report
10	Accumulated Depreciation 2012 and prior per federal and state tax depr. report
11	Proposed Plant Retirements
12	Post Test Year retirement

13	Net Reductions through December 31, 2012
14	Net tax value of plant-in-service at December 31, 2012

³ CIAC (including impact of change to probability of realization)

15	Gross CIAC per adjusted book balances	\$ 35,802,727
16	CIAC reductions/additions	
17	A.A per adjusted book balances	\$ (5,439,154)
		(5,439,154)
18	Net CIAC before unrealized AIAC	\$ 30,363,572
19	Unrealized AIAC Component	
20	Adjusted Net AIAC (see footnote 4 below)	\$ 42,019,564
21	Unrealized AIAC Component % (1-Realized AIAC Component)	70.0%
22	Total realizable CIAC	\$ 29,413,695
		\$ 59,777,267

⁴ AIAC (including impact of change in probability of realization)

23	AIAC per adjusted book balances	\$ 42,019,564
24	AIAC reductions/additions	
25	Net AIAC before unrealized portion	\$ 42,019,564
26	Less: Unrealized AIAC (from Note 3, above)	\$ (29,413,695)
27	Net realizable AIAC	\$ 12,605,869
28	Meter and Service Line Installation Charges per adjusted book balances	1,514,449
29	Total Realizable AIAC	\$ 14,120,318

Litchfield Park Sevice Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-12
Page 1 of 1

**RATE BASE ADJUSTMENT NO. 10
USED FOR WATER DIVISION ONLY**

Line No.	Description	Amount
	Water Division:	
1		\$ -
2		-
3		<u>\$ -</u>
	Wastewater Division:	
4		\$ -
5		-
6		<u>\$ -</u>

References:

RUCO OPERATING INCOME SUMMARY

Line No.		[A] Company Adjusted Test Year As Filed	[B] RUCO Test Year Adjustments	[C] RUCO Test Year As Adjusted	[D] RUCO Recommended Changes	[E] RUCO Recommended Amounts
	Revenues:					
1	Metered Water Revenues	\$ 9,853,383	\$ 1,193	\$ 9,854,576	\$ 36,254	\$ 9,890,830
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	508,220	-	508,220	-	508,220
4	Total Revenues	<u>\$ 10,361,603</u>	<u>\$ 1,193</u>	<u>\$ 10,362,796</u>	<u>\$ 36,254</u>	<u>\$ 10,399,050</u>
	Operating Expenses:					
5	Salaries and Wages	\$ 1,168,151	\$ (76,431)	\$ 1,091,720	\$ -	\$ 1,091,720
6	Purchased Water	26,656	54	26,710	-	26,710
7	Purchased Power	601,635	-	601,635	-	601,635
8	Sludge Removal Expense	234,893	13	234,907	-	234,907
9	Fuel for Power Production	-	-	-	-	-
10	Chemicals	357,986	-	357,986	-	357,986
11	Materials and Supplies	86,994	-	86,994	-	86,994
12	Management Services - US Liberty Water	1,469,058	(116,332)	1,352,726	-	1,352,726
13	Management Services - Corporate	698,951	(129,930)	569,021	-	569,021
14	Management Services - Other	-	-	-	-	-
15	Outside Services - Accounting	2,161	-	2,161	-	2,161
16	Outside Services - Engineering	-	-	-	-	-
17	Outside Services- Other	222,303	-	222,303	-	222,303
18	Outside Services- Legal	25,746	-	25,746	-	25,746
19	Water Testing	57,735	-	57,735	-	57,735
20	Rents - Office	40,007	-	40,007	-	40,007
21	Equipment Rental	3,076	-	3,076	-	3,076
22	Transportation Expenses	26,465	-	26,465	-	26,465
23	Insurance - General Liability	57,823	-	57,823	-	57,823
24	Insurance - Vehicle	11,506	-	11,506	-	11,506
25	Reg. Comm. Exp. - Other	14,189	-	14,189	-	14,189
26	Reg. Comm. Exp. - Rate Case	74,200	-	74,200	-	74,200
27	Miscellaneous Expense	77,293	3,619	80,913	-	80,913
28	Bad Debt Expense	45,215	(23,924)	21,291	-	21,291
29	Depreciation and Amortization Expense	1,598,765	22,150	1,620,915	-	1,620,915
30	Taxes Other Than Income	-	-	-	-	-
31	Property Taxes	576,026	(27,493)	548,533	640	549,173
32	Income Tax	1,013,153	125,244	1,138,396	13,637	1,152,033
33	Total Operating Expenses	<u>\$ 8,489,987</u>	<u>\$ (223,030)</u>	<u>\$ 8,266,957</u>	<u>\$ 14,277</u>	<u>\$ 8,281,233</u>
34	Operating Income (Loss)	<u>\$ 1,871,616</u>	<u>\$ 224,223</u>	<u>\$ 2,095,839</u>	<u>\$ 21,978</u>	<u>\$ 2,117,817</u>

References:

Column [A]: Company Schedule C-1;
Column [B]: RUCO Recommended Total Adjustments Per Schedule RBM-14 on pages 1-2 at page 2 in Column [S] at line 33;
Column [C]: Column [A] + [B] - RUCO Recommended Adjusted Test Year Amounts Per Schedule RBM-14 on page 2 of 2 in Column [T];
Column [D]: RUCO Recommended Increase/(Decrease) to Revenue Requirement;
Column [E]: Column [C] + [D] - RUCO Recommended Increase/(Decrease) Amounts for Revenue Requirement.

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	[A] Company Adjusted Test Year As Filed	[B] Adj. No. 1 Depreciation Expense	[C] Adj. No. 2 Property Taxes	[D] Adj. No. 3 Revenue & Expense Annualizations	[E] Adj. No. 4 Revenue Accrual Fix	[F] Adj. No. 5 Used for Water Div. Only	[G] Adj. No. 6 Used for Water Div. Only	[H] Adj. No. 7 Intentionally Left Blank	[I] Adj. No. 8 Employee Pension Benefits	[J] Adj. No. 9 Intentionally Left Blank
Revenues:											
1	Metered Water Revenues	\$ 9,853,383	\$ -	\$ -	\$ 1,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Unmetered Water Revenues	508,220	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Total Revenues	\$ 10,361,603	\$ -	\$ -	\$ 1,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses:											
5	Salaries and Wages	\$ 1,168,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (76,431)	\$ -
6	Purchased Water	26,656	-	-	54	-	-	-	-	-	-
7	Purchased Power	601,635	-	-	-	-	-	-	-	-	-
8	Sludge Removal Expense	234,893	-	-	13	-	-	-	-	-	-
9	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
10	Chemicals	357,986	-	-	-	-	-	-	-	-	-
11	Materials and Supplies	86,994	-	-	-	-	-	-	-	-	-
12	Management Services - US Liberty Water	1,469,058	-	-	-	-	-	-	-	-	-
13	Management Services - Corporate	698,951	-	-	-	-	-	-	-	-	-
14	Management Services - Other	-	-	-	-	-	-	-	-	-	-
15	Outside Services - Accounting	2,161	-	-	-	-	-	-	-	-	-
16	Outside Services - Engineering	-	-	-	-	-	-	-	-	-	-
17	Outside Services - Other	222,303	-	-	-	-	-	-	-	-	-
18	Outside Services - Legal	25,746	-	-	-	-	-	-	-	-	-
19	Water Testing	57,735	-	-	-	-	-	-	-	-	-
20	Rents - Office	40,007	-	-	-	-	-	-	-	-	-
21	Equipment Rental	3,076	-	-	-	-	-	-	-	-	-
22	Transportation Expenses	26,465	-	-	-	-	-	-	-	-	-
23	Insurance - General Liability	57,823	-	-	-	-	-	-	-	-	-
24	Insurance - Vehicle	11,506	-	-	-	-	-	-	-	-	-
25	Reg. Comm. Exp. - Other	14,189	-	-	-	-	-	-	-	-	-
26	Reg. Comm. Exp. - Rate Case	74,200	-	-	-	-	-	-	-	-	-
27	Miscellaneous Expense	77,293	-	-	(1,506)	-	-	-	-	-	-
28	Bad Debt Expense	45,215	-	-	-	-	-	-	-	-	-
29	Depreciation and Amortization Expense	1,598,765	22,150	-	-	-	-	-	-	-	-
30	Taxes Other Than Income	-	-	(27,493)	-	-	-	-	-	-	-
31	Property Taxes	576,026	-	-	-	-	-	-	-	-	-
32	Income Tax	1,013,153	-	-	-	-	-	-	-	-	-
33	Total Operating Expenses	\$ 8,489,987	\$ 22,150	\$ (27,493)	\$ (1,439)	\$ -	\$ -	\$ -	\$ -	\$ (76,431)	\$ -
34	Operating Income	\$ 1,871,616	\$ (22,150)	\$ 27,493	\$ 2,632	\$ -	\$ -	\$ -	\$ -	\$ 76,431	\$ -

Adjustments:

Adjustment No. 1: Depreciation Expense - See RUCO Schedule RBM-15 in Column [C] at line 36;
Adjustment No. 2: Property Taxes - See RUCO Schedule RBM-16 in Column [A] at line 18;
Adjustment No. 3: Revenue & Expense Annualizations - See RUCO Schedule RBM-17 on page 2 of 2 at line 22;
Adjustment No. 4: Revenue Accrual Fix - See RUCO Schedule RBM-18;
Adjustment No. 5: Used for Water Division Only;
Adjustment No. 6: Used for Water Division Only;
Adjustment No. 7: Intentionally Left Blank;
Adjustment No. 8: Employee Pension Benefit Plan - See RUCO Schedule RBM-22 at line 3;
Adjustment No. 9: Intentionally Left Blank

References:

Column [A]: Company Schedule C-1 Adjusted Test Year as Filed;
Column [B] through [J]: RUCO Recommended Adjusted Test Year Adjustments;

RUCO OPERATING INCOME ADJUSTMENTS

Line No.	Description	[K] Adj. No. 10 US Liberty Utilities Adtl. Reductions	[L] Adj. No. 11 Allocate Bad Debt Expense	[M] Adj. No. 12 Intentionally Left Blank	[N] Adj. No. 13 Corporate Cost Allocations	[O] Adj. No. 14 Achievement Incentive/Bonus Pay Allocations	[P] Adj. No. 15 Miscellaneous Expense	[Q] Adj. No. 16 Customer Deposit Interest Expense	[R] Adj. No. 17 Income Taxes	[S] Total RUCO Adjustments Recommended	[T] RUCO Adjusted Test Year Recommended
Revenues:											
1	Metered Water Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,193	\$ 9,854,576
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	58,220
3	Other Water Revenues	-	-	-	-	-	-	-	-	-	10,362,796
4	Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,193	\$ 9,854,576
Operating Expenses:											
5	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (76,431)	\$ 1,091,720
6	Purchased Water	-	-	-	-	-	-	-	-	54	26,710
7	Purchased Power	-	-	-	-	-	-	-	-	-	601,635
8	Sludge Removal Expense	-	-	-	-	-	-	-	-	13	234,907
9	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-
10	Chemicals	-	-	-	-	-	-	-	-	-	357,986
11	Materials and Supplies	-	-	-	-	-	-	-	-	-	86,994
12	Management Services - US Liberty Water	(2,521)	-	-	-	(113,811)	-	-	-	(116,332)	1,352,726
13	Management Services - Corporate	-	-	-	(115,707)	(14,223)	-	-	-	(129,930)	569,021
14	Management Services - Other	-	-	-	-	-	-	-	-	-	2,161
15	Outside Services - Accounting	-	-	-	-	-	-	-	-	-	222,303
16	Outside Services - Engineering	-	-	-	-	-	-	-	-	-	25,746
17	Outside Services - Other	-	-	-	-	-	-	-	-	-	57,735
18	Outside Services - Legal	-	-	-	-	-	-	-	-	-	40,007
19	Water Testing	-	-	-	-	-	-	-	-	-	3,076
20	Rents - Office	-	-	-	-	-	-	-	-	-	26,465
21	Equipment Rental	-	-	-	-	-	-	-	-	-	57,823
22	Transportation Expenses	-	-	-	-	-	-	-	-	-	11,506
23	Insurance - General Liability	-	-	-	-	-	-	-	-	-	14,189
24	Insurance - Vehicle	-	-	-	-	-	-	-	-	-	74,200
25	Reg. Comm. Exp. - Other	-	-	-	-	-	-	-	-	-	80,913
26	Reg. Comm. Exp. - Rate Case	-	-	-	-	-	-	-	-	-	21,291
27	Miscellaneous Expense	-	-	-	-	-	(342)	5,467	-	(23,924)	1,620,915
28	Bad Debt Expense	-	(23,924)	-	-	-	-	-	-	22,150	-
29	Depreciation and Amortization Expense	-	-	-	-	-	-	-	-	-	548,533
30	Taxes Other Than Income	-	-	-	-	-	-	-	-	(27,493)	1,138,396
31	Property Taxes	-	-	-	-	-	-	-	-	125,244	-
32	Income Tax	-	-	-	-	-	-	-	-	-	-
33	Total Operating Expenses	\$ (2,521)	\$ (23,924)	\$ -	\$ (115,707)	\$ (128,034)	\$ (342)	\$ 5,467	\$ 125,244	\$ (223,030)	\$ 8,266,957
34	Operating Income	\$ 2,521	\$ 23,924	\$ -	\$ 115,707	\$ 128,034	\$ 342	\$ (5,467)	\$ (125,244)	\$ 224,223	\$ 2,095,839

Adjustments:

Adjustment No. 10: Additional Adjustments to US Liberty Utilities - See RUCO Schedule TJC-24 at line 6;
Adjustment No. 11: Allocate Bad Debt Expense - See RUCO Schedule TJC-25 at line 7;
Adjustment No. 12: Intentionally Left Blank;
Adjustment No. 13: APUC Corporate Cost Allocations - See RUCO Schedule TJC-27 in Column [L] at line 32;
Adjustment No. 14: Achievement/Incentive/Bonus Pay Adjustments - See RUCO Schedule TJC-28 at line 10;
Adjustment No. 15: Miscellaneous Expense Adjustments - See RUCO Schedule TJC-29;
Adjustment No. 16: Customer Security Deposit Interest Expense - See RUCO Schedule TJC-30 at line 6;
Adjustment No. 17: Income Taxes - See RUCO Schedule TJC-31 at line 3.

References:

Column [K] thru [R]: RUCO Recommended Adjusted Test Year Adjustments;
Column [S]: RUCO Total Adjusted Test Year Adjustments on Schedule TJC-14 page 1 of 2 in Columns [B] thru Schedule TJC-14 page 2 of 2 in Columns [K] thru [R];
Column [T]: Column [A] on Schedule TJC-14 at page 1 of 2 + Column [S] on Schedule TJC-14 page 2 of 2 - RUCO Recommended Adjusted Test Year Balances.

OPERATING INCOME ADJUSTMENT NO. 1
DEPRECIATION EXPENSE

Line No.	NARUC Account	Description	[A] RUCO UPIS Recommended	[B] Authorized Depreciation Rate	[C] RUCO Depreciation Expense Going Forward
1	351	Organization	\$ -	0.00%	\$ -
2	352	Franchise	-	0.00%	-
3	353	Land	1,835,956	0.00%	-
4	354	Structures & Improvements	23,732,343	3.33%	790,287
5	355	Power Generation	602,932	5.00%	30,147
6	360	Collection Sewer Forced	1,162,597	2.00%	23,252
7	361	Collection Sewers Gravity	31,886,680	2.00%	637,734
8	362	Special Collecting Structures	-	2.00%	-
9	363	Customer Services	76,190	2.00%	1,524
10	364	Flow Measuring Devices	82,828	10.00%	8,283
11	366	Reuse Services	4,057,660	2.00%	81,153
12	367	Reuse Meters And Installation	44,753	8.33%	3,728
13	370	Receiving Wells	860,393	3.33%	28,651
14	371	Pumping Equipment	855,150	12.50%	106,894
15	374	Reuse Distribution Reservoirs	62,286	2.50%	1,557
16	375	Reuse Trans. and Dist. System	420,334	2.50%	10,508
17	380	Treatment & Disposal Equipment	6,056,062	5.00%	302,803
18	381	Plant Sewers	47,802	5.00%	2,390
19	382	Outfall Sewer Lines	343,681	3.33%	11,445
20	389	Other Sewer Plant & Equipment	827,630	6.67%	55,203
21	390	Office Furniture & Equipment	275,740	6.67%	18,392
22	390.1	Computers and Software	-	20.00%	-
23	391	Transportation Equipment	33,497	20.00%	6,699 *
24	392	Stores Equipment	8,968	4.00%	359
25	393	Tools, Shop And Garage Equip	129,950	5.00%	6,497
26	394	Laboratory Equip	187,184	10.00%	18,718
27	395	Power Operated Equipment	6,605	5.00%	330
28	396	Communication Equip	418,996	10.00%	41,900
29	398	Other Tangible Plant	-	10.00%	-
30		Totals	<u>\$ 74,016,217</u>		<u>\$ 2,188,454</u>

Less: Amortization of Contributions ("CIAC")

Account No.	Description	Gross CIAC	Account Specific Amortization Rate	
31	361 Collection Sewers Gravity	\$ (25,745,608)	2.00%	\$ (514,912)
32	363 Customer Services	(2,631,307)	2.00%	(52,626)
33	Total Gross CIAC Balance (See RUCO RBM-2)	<u>\$ (28,376,915)</u>		<u>\$ (567,538)</u>
34	RUCO Total Depreciation Expense			1,620,915
35	Company Adjusted Depreciation Expense As Filed			<u>1,598,765</u>
36	RUCO Increase/(Decrease) Expense Adjustment			<u>\$ 22,150</u>

* Fully Depreciated Per Company Schedule C-2, page 2

References:

Company B-2 and C-1 Schedules, and RUCO Schedule RBM-2.

**OPERATING INCOME ADJUSTMENT NO. 2
PROPERTY TAXES**

LINE NO.	Property Tax Calculation	[A] RUCO AS ADJUSTED	[B] RUCO RECOMMENDED
1	RUCO Adjusted Test Year Gross Revenues Per RUCO Schedule JLK-13	\$ 10,362,796	\$ 10,362,796
2	Multiplied by 2	2	2
3	Subtotal (Line 1 * Line 2)	\$ 20,725,592	\$ 20,725,592
4a	RUCO Adjusted Test Year Gross Revenues Per RUCO Schedule JLK-13	10,362,796	
4b	RUCO Recommended Revenue Per RUCO Schedule JLK-13		10,399,050
5	Subtotal (Line 3 + Line 4a)	\$ 31,088,389	\$ 31,124,643
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$ 10,362,796	\$ 10,374,881
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$ 20,725,592	\$ 20,749,762
10	Plus: 10% of CWIP Per Company Schedule E-1 As Filed	-	-
11	Less: Net Book Value of Licensed Vehicles	3,646	3,646
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$ 20,721,947	\$ 20,746,116
13	Assessment Ratio	19.0%	19.0%
14	Assessed Value (Line 12 * Line 13)	\$ 3,937,170	\$ 3,941,762
15	Composite Property Tax Rate (Per RUCO Effective Property Tax Calculation)	13.9322%	13.9322%
16	RUCO Adjusted Test Year Property Tax Expense (Line 14 * Line 15)	\$ 548,533	
17	Company Adjusted Test Year Property Tax Expense (Per Company Schedule C-1)	576,026	
18	RUCO Test Year Adjustment (Line 16-Line 17)	\$ (27,493)	
19	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		\$ 549,173
20	RUCO Test Year Adjusted Property Tax Expense (Line 16)		548,533
21	Increase/(Decrease) to Property Tax Expense		\$ 640
22	Increase/(Decrease) to Property Tax Expense		\$ 640
23	Increase in Revenue Requirement		36,254
24	Increase /(Decrease) to Property Tax per Dollar Increase in Revenue (Line 22 / Line 23)		1.7647%

References:

RUCO Schedule RBM-13
RUCO Schedule RBM-4(a) page 1 of 2

OPERATING INCOME ADJUSTMENT NO. 3
REVENUE & EXPENSE ANNUALIZATIONS

Line No.	Meter Size	Class	[A] Company Annualization Present Revenues	[B] RUCO Annualization Adjustments	[C] RUCO Annualization Present Revenues	[D] Additional Bills	[E] Additional Gallons to be Pumped (In 1,000's)
1	N/A	Residential	\$ 127,341	\$ -	\$ 127,341	3,266	9,798
2	N/A	Residential (Low Income)	-	1,193	1,193	36	108
3		Subtotal	\$ 127,341	\$ 1,193	\$ 128,534	3,302	9,906
4							
5	145, 172, 560	HOA	\$ -	-	\$ -	-	-
6							
7	3, 4, 5, 7, 8, 13, 15, 16,	Multi-Unit	-	-	-	-	-
8	17, 22, 43, 78, 84, 123, 282	Multi-Family	-	-	-	-	-
9		Subtotal	\$ -	\$ -	\$ -	\$ -	\$ -
10							
11	Small	Commercial	\$ 66	\$ -	\$ 66	1	2
12	Measured Service	Commercial	(1,644)	-	(1,644)	(8)	(24)
13	Measured Svc. Other	Commercial	3,014	-	3,014	8	36
14		Subtotal	\$ 1,436	\$ -	\$ 1,436	1	14
15							
16	Room and Main	Wigwam	\$ -	\$ -	\$ -	-	-
17							
18	Elem, Mid & College	Schools	\$ -	\$ -	\$ -	-	-
19							
20	100	Effluent	\$ 93	\$ -	\$ 93	2	-
21	125	Effluent	(3,380)	-	(3,380)	(3)	-
22	200	Effluent	\$ -	\$ -	\$ -	7	-
23		Subtotal	\$ (3,287)	\$ -	\$ (3,287)	6	-
24							
25	Total Revenue Annualization		\$ 125,490	\$ 1,193	\$ 126,683	\$ 3,309	
26							
27	RUCO Total Revenue Annualization						\$ 126,683
28							
29	Company Revenue Annualization						125,490
30							
31							
32	RUCO Increase/(Decrease) Adjustment to Revenue and/or Expense					\$ 1,193	
33							
34							
35							
36	Total Increase/(Decrease) Gallons to be Produced						9,920

References:
RUCO RBM Workpapers
Company H-5 Schedules

OPERATING INCOME ADJUSTMENT NO. 3 (Continued)
REVENUE & EXPENSE ANNUALIZATIONS

Line No.	Description	Amount
	<u>Annualize Revenues:</u>	
1	Per RUCO Annualized Revenues	\$ 126,683
2	Per Company Annualized Revenues	125,490
3	RUCO Adjustment to Revenue and/or Expense (L1 - L2)	\$ 1,193
	<u>Annualize Purchased Power Expense:</u>	
4	Test Year Purchased Power	\$ 606,563
5	Test Year Gallons Treated (in 1,000s)	1,223,828
6	Cost Per 1,000 gallons (L24 / L25)	\$ 0.50
7	Additional Gallons Treated from Annualization (See L36 on RUCO Schedule JLK-17 on page 1 of 2)	9,920
8	Per RUCO Increase in Annualized Purchased Power Costs (L6 X L7)	\$ 4,916
9	Per Company Increase in Annualized Purchased Power Costs as Filed	4,863
10	RUCO Adjustment to Revenue and/or Expense (L8 - L9)	\$ 54
	<u>Annualize Sludge Removal Expense:</u>	
11	Test Year Sludge Removal Expense	\$ 230,913
12	Gallons Treated (in 1,000's)	1,223,828
13	Cost per 1,000 gallons (L11 / L12)	\$ 0.19
14	Number of bills during Test Year	191,338
15	Average flow per bill per month (in 1,000's) - (L12 / L14)	6.4
16	Increase (decrease) in number of bills (See Column [D] at line 25 on RUCO Schedule JLK-17 at page 1 of 2)	3,309
17	Increase (decrease) in flows (in 1,000's) - (L15 X L16)	21,165
18	Per RUCO Increase (decrease) in Sludge Removal (L13 X L17)	\$ 3,993
19	Per Company Increase (decrease) in Sludge Removal (Company Schedule C-1)	3,980
20	RUCO Adjustment to Revenue and/or Expense (L18 - L19)	\$ 13
	<u>Annualize Postage Expense:</u>	
21	RUCO's Reversal of Company's Double-Count for Wastewater Division's Annualized Postage Expense	\$ (1,506)
22	RUCO Total Net Annualized Revenue & Expense Adjustments	\$ 2,632

References:

See RUCO Schedule RBM-17 on page 1 of 2
Company C-2 & H Schedules

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-18
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OPERATING INCOME ADJUSTMENT NO. 4
REVENUE ACCRUAL FIX

Line

No. Description

Amount

References:

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-19
Page 1 of 1

OPERATING INCOME ADJUSTMENT NO. 5
USED ONLY FOR WATER DIVISION

Line

No. Description

Amount

References:

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-20
Page 1 of 1

OPERATING INCOME ADJUSTMENT NO. 6
USED ONLY FOR WATER DIVISION

Line

No. Description

Amount

References:

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-21
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OPERATING INCOME ADJUSTMENT NO. 7
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Line

No. Description

Amount

References:

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-22
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**OPERATING INCOME ADJUSTMENT NO. 8
EMPLOYEE PENSION BENEFIT PLAN**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Employee Pension Benefit Plan Proforma Adjustment Per Company as Filed	\$ 76,431
2	Employee Pension Benefit Plan Proforma Adjustment Per RUCO Recommendation	-
3	RUCO Recommended Adjustment	\$ (76,431)

References:

Company Response to RUCO DR 3.01
See Testimony of RBM

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-23
Page 1 of 1

OPERATING INCOME ADJUSTMENT NO. 9
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Line

No. Description

Amount

References:

OPERATING INCOME ADJUSTMENT NO. 10
ADDITIONAL REDUCTIONS TO US LIBERTY UTILITIES MANAGEMENT SERVICES

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
<u>Water Division:</u>		
1	Company's Proforma Adjustment for Management Services - US Liberty Water as Filed	\$ (16,840)
2	RUCO Recommended Adjustment for Management Services - US Liberty Water	<u>(18,669)</u>
3	RUCO Recommended Adjustment	<u>(1,829)</u>
 <u>Wastewater Division:</u>		
4	Company's Proforma Adjustment for Management Services - US Liberty Water as Filed	\$ (21,457)
5	RUCO Recommended Adjustment for Management Services - US Liberty Water	<u>(23,978)</u>
6	RUCO Recommended Adjustment	<u>(2,521)</u>

References:

Company Response to Staff DR JMM 12-2

**OPERATING INCOME ADJUSTMENT NO. 11
ALLOCATE BAD DEBT EXPENSE**

Line No.	Description	Amount		
<u>Water & Wastewater Divisions Combined Adjusted Test Year Bad Debt Expense as Filed:</u>				
1	Water Division Adjusted Test Year Bad Debt Expense as Filed	\$ (76)		
2	Wastewater Division Adjusted Test Year Bad Debt Expense as Filed	<u>45,215</u>		
3	Total Water & Wastewater Divisions Combined Adjusted Test Year Bad Debt Expense as Filed by Company	\$ 45,140		
<u>Water Division:</u>				
4	Allocation Factor Recommended by RUCO to Allocate Bad Debt Expense to Water Division	47%		
5	RUCO Recommended Bad Debt Expense Adjustment Allocated to Water Division	<table border="1"><tr><td>\$</td><td>21,216</td></tr></table>	\$	21,216
\$	21,216			
<u>Wastewater Division:</u>				
6	Allocation Factor Recommended by RUCO to Allocate Bad Debt Expense to Wastewater Division	53%		
7	RUCO Recommended Bad Debt Adjustment Allocated to Wastewater Division	<table border="1"><tr><td>\$</td><td>(23,924)</td></tr></table>	\$	(23,924)
\$	(23,924)			

References:

Company Response to Staff DR JMM 12-2

Litchfield Park Sevice Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Water Division
Direct Schedule RBM-26
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OPERATING INCOME ADJUSTMENT NO. 12
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<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
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References:

OPERATING INCOME ADJUSTMENT NO. 13
APUC COST ALLOCATIONS

<u>Line</u>	<u>No.</u>	<u>Description</u>	Total APUC Cost Pool	To Liberty Utilities	Allocation From Liberty Utilities	To Liberty Utilities South	LPSCO Water	Allocation To LPSCo Water	From Liberty Utilities South	LPSCO Wastewater	Allocation To LPSCO Wastewater	Recommended Allocation Factors Per Decree 7698	Recommended Allocation LPSCo Water	Recommended Allocation LPSCo Sewer
1	Audit	\$ 1,561,911	51.8%	\$ 808,596	22.26%	\$ 179,960	28.74%	\$ 51,712	28.87%	\$ 48,352	100%	-	\$ 51,712	\$ 48,352
2	Tax	1,169,300	51.8%	605,321	22.26%	124,724	28.74%	38,715	28.87%	36,198	100%	-	38,715	36,198
3	Legal	635,180	51.8%	328,824	22.26%	73,165	28.74%	21,030	28.87%	19,864	100%	-	21,030	19,864
4	Professional Services	690,395	51.8%	352,225	22.26%	78,394	28.74%	22,627	28.87%	21,063	0%	-	-	-
5	Unifiber Communications	700,793	51.8%	362,785	22.26%	80,744	28.74%	23,202	28.87%	21,684	0%	-	-	-
6	Trustee / Director Fees	378,154	51.8%	195,762	22.26%	43,570	28.74%	12,520	28.87%	11,706	0%	-	-	-
7	Computer Supplies / Repairs	51,761	51.8%	26,796	22.26%	5,984	28.74%	1,714	28.87%	1,602	100%	-	1,714	1,602
8	Office Expenses	98,210	51.8%	50,841	22.26%	11,316	28.74%	3,252	28.87%	3,040	100%	-	3,252	3,040
9	Employee Stock Purchase Plan	4,270	51.8%	2,210	22.26%	492	28.74%	141	28.87%	132	0%	-	-	-
10	Board of Directors Insurance	145,728	51.8%	75,440	22.26%	16,780	28.74%	4,825	28.87%	4,511	50%	-	2,412	2,256
11	Escrow & Transfer Agent Fees	75,000	51.8%	38,826	22.26%	8,841	28.74%	2,483	28.87%	2,322	0%	-	-	-
12	Training	78,343	51.8%	39,521	22.26%	8,796	28.74%	2,528	28.87%	2,363	100%	-	2,528	2,363
13	Stock Option expense	1,378,013	51.8%	712,331	22.26%	159,542	28.74%	45,557	28.87%	42,597	0%	-	-	-
14	Recruiting	54,065	51.8%	28,004	22.26%	6,233	28.74%	1,791	28.87%	1,675	100%	-	1,791	1,675
15	Mileage and Entertainment	2,315	51.8%	1,198	22.26%	267	28.74%	77	28.87%	72	50%	-	38	38
16	Rent	84,861	51.8%	43,931	22.26%	9,778	28.74%	2,810	28.87%	2,627	100%	-	2,810	2,627
17	Communication	78,982	51.8%	40,897	22.26%	9,100	28.74%	2,615	28.87%	2,445	100%	-	2,615	2,445
18	Dues and Memberships	47,155	51.8%	24,411	22.26%	5,433	28.74%	1,561	28.87%	1,460	0%	-	-	-
19	License/Fees & Permits	364,904	51.8%	191,256	22.26%	44,348	28.74%	12,743	28.87%	11,915	100%	-	12,743	11,915
20	Net Other Admin Costs	14,274	51.8%	7,389	22.26%	1,645	28.74%	473	28.87%	442	100%	-	473	442
21	Variance Due to Company's Monthly Allocation Factoring	-	-	-	-	-	-	10,321	-	26,052	52%	-	5,400	13,651
22	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	Total APUC Allocations Per RU/CU	\$ 7,619,653	-	\$ 3,944,525	-	\$ 877,921	-	\$ 262,593	-	\$ 261,973	-	-	\$ 147,220	\$ 146,256
27	Company Water Division's APUC Cost Allocation Requested	-	-	-	-	-	-	-	-	-	-	-	262,593	261,973
28	Company Wastewater Division's APUC Cost Allocation Requested	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Company Recommended Water and Wastewater Division's APUC Cost Allocation Adjustment	-	-	-	-	-	-	-	-	-	-	-	(115,363)	(115,707)
30	RU/CU Recommended Water and Wastewater Division's APUC Cost Allocation Adjustment	-	-	-	-	-	-	-	-	-	-	-	(115,363)	(115,707)

Note 1:

Variances by Company Per Responses to RUCO DR 1.08 and Staff 5.2
RUCO Allowance Factor for the Variances Identified by Company

References:
Column (A) - Company response to Staff DR JMM - 10.1(a) confirmed the accruals in that Column were true-up to Actual Expenses for this rate case.

**OPERATING INCOME ADJUSTMENT NO. 14
ACHIEVEMENT / INCENTIVE / BONUS PAY PROGRAMS**

Line No.	Description	Water Division Amount	Wastewater Division Amount
Algonquin Power Utilities Corporation ("APUC") Allocation:			
1	1 Per Company APUC Achievement / Incentive / Bonus Pay Program Allocations Included in Test Year	\$ 45,557	\$ 42,597
2	2 RUCO Recommended APUC Achievement / Incentive / Bonus Pay Program Allocations Included in Test Year	0%	0%
3	2 RUCO's Recommended Adjustment to Company's Test Year End APUC Achievement / Incentive / Bonus Pay to Include in TY	\$ -	\$ -
Liberty Utilities - Local Incentive Pay			
4	1 Per Company Liberty Utilities - Local Achievement / Incentive / Bonus Pay Program Included in Test Year	\$ 243,440	\$ 227,622
5	RUCO Recommended Achievement / Incentive / Bonus Pay Program Allocations Included in Test Year	50%	50%
6	RUCO's Recommended Adjustment to Company's Test Year End APUC Achievement / Incentive / Bonus Pay to Include in TY	\$ (121,720)	\$ (113,811)
Liberty Utilities - Allocated Incentive Pay			
7	1 Per Company Liberty Utilities - Local Achievement / Incentive / Bonus Pay Program Included in Test Year	\$ 34,334	28,446
8	RUCO Recommended Achievement / Incentive / Bonus Pay Program Allocations Included in Test Year	50%	50%
9	RUCO's Recommended Adjustment to Company's Test Year End APUC Achievement / Incentive / Bonus Pay to Include in TY	\$ (17,167)	\$ (14,223)
10	RUCO's Recommended Total Adjustments	\$ (138,887)	\$ (128,034)

References:

- 1 Per Company Supplemental Response to RUCO 1.15(e)
- 2 RUCO disallowed 100% of the APUC Achievement / Incentive / Pay Program - Stock Option Expense (See RUCO Schedule RBM-27 at line 13)

**OPERATING INCOME ADJUSTMENT NO. 11
MISCELLANEOUS EXPENSE**

<u>Line No.</u>	<u>Description</u>	<u>Account No.</u>	<u>[A] Company As Filed</u>	<u>[B] RUCO Allowance Factor</u>	<u>[C] RUCO Recommended Adjustment</u>
	Company Adjusted Miscellaneous Expense as Filed		\$ 77,293		
	<u>RUCO Adjustments:</u>				
	Public Relations	8600-2-0200-69-5390	\$ 231	100%	\$ (231)
	Meals and Entertainment	8600-2-0200-69-5300	221	50%	(111)
	Total				<u>\$ (342)</u>
	RUCO Recommended Adjustment				\$ (342)

References:

Column [A]: Company Adjusted Test Year Schedule C-1 Balance on page 1 at line 29;
Column [B]: RUCO Allowance Factor;
Column [C]: Company Response to Staff DR JMM 2-63.

RATE BASE ADJUSTMENT NO. 16
CUSTOMER SECURITY DEPOSIT INTEREST EXPENSE

Line No.	Description	Amount
Water Division:		
1	1 Customer Security Deposit Interest Expense As Filed by Company Below-the-Line for Both Divisions Per Response to Staff DR 13-4	\$ 10,314
2	RUCO Recommended Allocation for Water Division Net of Interest Earned (See Note 1 Below for Allocation Percentages)	<u>4,848</u>
3	RUCO's Recommended Adjustment (Net of Interest Earned on Unexpended CIAC Bank Account Per Response to Staff DR 1.13)	<u>\$ 4,848</u>
Wastewater Division:		
4	1 Customer Security Deposit Interest Expense As Filed by Company Below-the-Line for Both Divisions Per Response to Staff DR 13-4	\$ 10,314
5	RUCO Recommended Allocation for Water Division Net of Interest Earned (See Note 1 Below for Allocation Percentages)	<u>5,467</u>
6	RUCO's Recommended Adjustment (Net of Interest Earned on Unexpended CIAC Bank Account Per Response to Staff DR 1.13)	<u>\$ 5,467</u>

Note 1: Allocation Percentage Factors

Water = 47%
Wastewater = 53%

References:

- 1 Per Company Response and Excel workbook Attachment to Staff's DR 13-4

Litchfield Park Service Company
Docket Nos. SW-01428A-13-0042
and W-01427A-13-0043
Test Year Ended December 31, 2012

Wastewater Division
Direct Schedule RBM-31
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OPERATING INCOME ADJUSTMENT NO. 17
INCOME TAXES

Line No.	Description	RUCO Adjusted Test Year Recommended	RUCO Test Year Recommended
1	RUCO Computed Adjusted Test Year Income Tax	\$ 1,138,396	\$ 1,152,033
2	Company Income Tax As Filed	1,013,153	1,262,828
3	RUCO Adjustment to Income Tax Expense	\$ 125,244	\$ (110,795)

References:

See RUCO Schedule RBM-1 at page 2 of 2;
Company Schedule C-1 Adjusted Test Year as Filed

COST OF CAPITAL

LINE NO.		[A] DOLLAR AMOUNT	[B] CAPITAL RATIO	[C] COST RATE	[D] WEIGHTED COST RATE
1	Long-Term Debt	\$ 10,420,000	15.87%	6.86%	1.09%
2	Common Equity	55,240,319	84.13%	9.20% ¹	7.74%
3	Total Capitalization	<u>\$ 65,660,319</u>	<u>100.00%</u>		
4	WEIGHTED AVERAGE COST OF CAPITAL ("WACC")				8.83%

¹ The Return on Equity Recommended by RUCO was authorized in Decision No. 73996 dated July 30, 2013.

References:

Columns [A] Thru [D]: RBM and RBM Testimony